



**AgriNuture, Inc.**

54 National Road, Dampol II- A, Pulilan, Bulacan 3005, Philippines

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## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

### **TO ALL STOCKHOLDERS:**

NOTICE is hereby given that the Annual Meeting of Stockholders of AgriNuture, Inc. (the "Company") will be held on 21 May 2012, Monday, at 2:30 in the afternoon at its principal office located at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The agenda for the said meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of Previous Meeting
4. Annual Report
5. Ratification of All Acts and Resolutions of the Board of Directors and Management Adopted During the Preceding Year
6. Amendment of Article VI of the Amended Articles of Incorporation Increasing the Number of Independent Directors to Three (3) of the Eleven (11) Directors
7. Amendment of Articles II, III, IV and VII of the Amended By-laws Reflecting the Changes approved by the Board of Directors on 10 January 2012 pursuant to the Investment Agreement dated 29 December 2011 (the "Investment Agreement")
8. Issuance, listing and waiver of the listing requirement of the Philippine Stock Exchange (PSE) to conduct a rights or public offering in relation to the 125,807,500 primary shares issued to Earthright Holdings, Inc. and 49,192,500 primary shares issued to Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. pursuant to the Investment Agreement
9. Stock Option Plan pursuant to the Investment Agreement
10. Declaration of 20% stock dividends, with the ex-dividend date, record date and payment date to be determined by the Board of Directors in accordance with the rules and regulations of the Securities and Exchange Commission and the PSE.
11. Election of Directors
12. Other Matters
13. Consideration of Such Other Business as May Properly Come Before the Meeting
14. Adjournment

The Organizational Meeting of the new Board of Directors will be held immediately after the Annual Stockholders' Meeting.

By resolution of the Board of Directors, the close of business on 2 May 2012 has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign and return the enclosed proxy to the Company, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before 16 May 2012. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on 17 May 2012 at 2:30 p.m. at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your Identification Card containing your picture and signature, and present the same at the registration desk. Registration shall start at 1:30 p.m.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jennifer T. Ong', written in a cursive style.

**JENNIFER T. ONG**

Asst. Information Officer  
Asst. Corporate Secretary

***We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the Office of the Corporate Secretary at No. 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 16 May 2012 at 2:30 p.m. at the Office of the Corporate Secretary. For partnerships, companies and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designations of the proxy/representative and authorized signatories.***

## **P R O X Y**

**I/WE hereby name and appoint \_\_\_\_\_ or in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of AgriNurture, Inc. to be held at No. 54 National Road, Dampol IIA, Pulilan, Bulacan, Philippines on Monday, 21 May 2012 at 2:30 o'clock in the afternoon and at any postponement or adjournment thereof.**

**Place/Date :** \_\_\_\_\_

**Name of Shareholder :** \_\_\_\_\_

**Signature :** \_\_\_\_\_

**Number of Shares :** \_\_\_\_\_

**Witness :** \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **AGRINURTURE, INC.**
3. Province, country or other jurisdiction of incorporation or organization:  
**Metro Manila, Philippines**
4. SEC Identification Number: **A199701848**
5. BIR Tax Identification Code: **200-302-092**
6. Address of principal office: Postal  
Code:  
**No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines** **3005**
7. Registrant's telephone number, including area code: **+63-2-4665063**
8. Date, time and place of the meeting of security holders:  
Date: **21 May 2012**  
Time: **2:30 o'clock in the afternoon**  
Place: **No. 54 Dampol II-A, National Road, Pulilan, Bulacan**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**23 April 2012**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Shares</b>	<b>271,410,867</b>
11. Are any or all of registrant's securities listed in a Stock Exchange?  
**Yes.**

The registrant's securities are listed in the Philippine Stock Exchange (PSE).

The Company's 240,217,917 issued and outstanding common shares are listed on the Second Board of the PSE.

Pursuant to its intention to be de-listed from the National Stock Exchange of Australia (NSX) the Company was voluntarily de-listed from the NSX effective on 30 June 2011.

**WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

**INFORMATION STATEMENT**

**GENERAL INFORMATION**

**1. Date, time and place of meeting of security holders**

The annual stockholders meeting of AgriNurture, Inc. ("ANI" or the "Company") shall be held on:

Date: 21 May 2012

Time: 2:30 o'clock in the afternoon

Place: No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines

The complete mailing address of the principal office of ANI is No. 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines. The information statement is first to be sent or given to security holders on or before 23 April 2012.

**2. Dissenters' Right of Appraisal**

Pursuant to Title X of the Corporation Code, a stockholder has the right to dissent and demand the payment of the fair value of shares: (i) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) in case of merger or consolidation.

With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that dissenting stockholders may exercise their appraisal right, such dissenting stockholders, within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action shall make a written demand on the Company for the value of their shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

**3. Interest of Certain Persons in Matters to be Acted Upon**

Antonio L. Tiu, the incumbent President/CEO/Chairman and an incumbent director of the Company, is the President and a Director of Earthright Holdings, Inc. The issuance of 125,807,500 common shares to the latter company out of the proposed increase in capital stock of the Company from P300,000.00 to P1,000,000,000.00 shall be submitted for the approval of the stockholders during the Annual Stockholders' Meeting on 21 May 2012.

Other than the foregoing, no person who has been a director or officer of the Company at any time since the beginning of the last fiscal year, or any nominee for election as director, or associate of any of the foregoing persons, has any interest in, direct or indirect, or opposition to matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of any intention to oppose any action to be taken by the Company at the meeting.

## CONTROL AND COMPENSATION INFORMATION

### 4. Voting Securities and Principal Shareholders Thereof

- (a) The Company's total outstanding shares entitled to vote consist of 271,410,867 common shares, with each share entitled to one (1) vote.
- (b) The record date for the determination of the stockholders entitled to vote at the meeting is fixed on **2 May 2012**, at the close of business hours.
- (c) During the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 24 of the Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedents to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 11 directors*. Candidates receiving the highest number of votes will be declared elected.

- (d) Security Ownership of Certain Record and Beneficial Owners and Management

#### ***d.1 Security Ownership of Certain Record and Beneficial Owners***

As of 31 March 2012, the following are the record owners of more than five percent (5%) of the Company's total issued common shares of 271,410,867 based on the stock and transfer book of the Company:

Title Of Class	Name and Address Of Record Owner And Relationship With Issuer	Relationship With Record Owner	Citizenship	No. Of Shares Held	Percentage
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City <i>Stockholder</i>	PCD Nominee Corp. is the record owner	Filipino	94,199,933	34.71%
Common	PCD Nominee Corp. (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City <i>Stockholder</i>	PCD Nominee Corp. is the record owner	Filipino	66,469,846	24.49%
Common	Tiu, Antonio (Filipino) <i>Stockholder/Director/Officer</i>	Mr. Tiu is the record owner	Filipino	58,408,933	21.52%

As of 31 March 2012, stockholders who are beneficial owners of more than 5% of the outstanding capital stock under the PCD Nominee Corp. are as follows:

Title Of Class	Name, Address Of Record Owner And Relationship With Issuer	Name Of Beneficial Owner And Relationship With Record Owner	Citizenship	No. Of Shares Held	Percentage
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	Standard Chartered Bank [for Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd.]  Beneficial owner	Foreign	76,293,595	28.11%

#### **d.2 Security Ownership of Management:**

As of 31 March 2012, the following are the security ownership of the directors and principal officers of the Company:

Title Of Class	Name Of Beneficial Owner; Relationship With Issuer	Amount And Nature Of Beneficial Ownership (Direct & Indirect)	Citizenship	Percentage
Common	Antonio L. Tiu Chairman/ President/ CEO	58,408,933 (Direct)	Filipino	21.52%
Common	Chung Ming Yang Director	2,000 (Direct)	Chinese ROC	Less than 0.01%
Common	Dennis Sia Director/ VP-Finance/ Chief Finance Officer	281,917 (Direct)	Filipino	0.10%
Common	George Uy Director	1 (Direct)	Filipino	Less than 0.01%
Common	Leonor Briones Independent Director	1 (Direct)	Filipino	Less than 0.01%
Common	Alfonso Go Independent Director	1 (Direct)	Filipino	Less than 0.01%
Common	Kenneth Duca	2,148,089 (Direct)	Filipino	0.79%
Common	James Sayre	1,000 (Direct)	American	Less than 0.01%
Common	Tai-Chuan Lin	9,000 (Direct)	Austrian	Less than 0.01%
Common	Kenneth S. Tan Chief Information Officer/ Compliance Officer/ VP-Admin	0	Filipino	0%
Common	Martin C. Subido Corporate Secretary	285,168 (Direct)	Filipino	0.11%
Common	Jennifer T. Ong Asst. Corporate Secretary/ Asst. Information Officer	0	Filipino	0%
Common	Lenie Basilio Asst. Information Officer	0	Filipino	0%

The total security ownership of the directors and principal officers of the Company as a group, as of 31 March 2012, is 61,136,110 common shares equivalent to 22.53% of the outstanding capital stock of the Company.

### **d.3 Voting Trust Holders of 5% or More**

There are no persons holding 5% or more of a class under a voting trust or similar arrangement.

### **d.4 Changes in Control**

The Company is not aware of any change in control or any arrangement which may result in a change in control of the Company.

## **5. Directors and Executive Officers**

### **a. Directors and Principal Officers of the Company:**

**As of 31 March 2012, the following are the directors of the Company:**

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Term of Office</b>
Antonio L. Tiu	36	Filipino	2004 – present
Peter Yang (Chung Ming Yang)	38	Chinese ROC	1997 – present
Dennis Sia	36	Filipino	2006 – present
George Uy	62	Filipino	2008 – present
Kenneth Duca	34	Filipino	2011-present
Alfonso Go (independent director)	73	Filipino	2008 – present
Leonor Briones (independent director)	71	Filipino	2008 – present
James Sayre	51	American	2012—present
Tai-Chuan Lin	35	Austrian	2012—present

**ANTONIO L. TIU, 36, Filipino, Director/Chairman.** Mr. Tiu also holds the following positions in the following companies: (i) President and Director of Earthright Holdings, Inc.,(ii) Chairman of Sunchamp Real Estate Development Corp. and (iii) CEO of Beidahuang, Philippines Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. Mr. Tiu has a Masters degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. In 2009, he was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009). He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

**DENNIS S. SIA, 36, Filipino, Director.** Mr. Sia previously served as Head for Export of M2000 IMEX in 2004 to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila. He has previously served as Sales Executive of Banco De Oro, JG Petrochem, and Kuysen Enterprises from 1997 up to 2003.

**YANG, CHUNG MING, 38, Chinese R.O.C., Director.** Mr. Yang is the General Manager of Grateful Strategic Marketing Consultants Co., Ltd, and Tong Shen Enterprises, which are both Taiwan based firms. He has a degree in B.S. Computer Science from Chiang Kai Shek College, Philippines and has a Masters degree in Business Administration from the National Chengchi University in Taiwan. He is currently taking the Executive MBA program at the Xiamen University.

**GEORGE Y. UY, 62, Filipino, Director.** Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. He co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he co-founded a company engaged in mass transport system, telecommunications, and indenter of steel products. Currently he



is also engaged in the biofuel program in the Philippines. He obtained his Bachelor's degree in 1970 and Masters degree in Chemistry in 1976 from the Ateneo de Manila University

**MARK KENNETH O. DUCA, 34, Filipino, Director.** Mr. Duca is a Director of Beidahuang (Phils.) Agro-Industrial Development Corporation and Central Equity Rural Bank, Inc. (corporate name to be change to Agricultural Bank of the Philippines upon approval by the SEC). He is also the General Manager (GM) of United Pharmachem Agrivet Inc. Mr. Duca graduated from York University, Toronto, Ontario, Canada with a degree in BS-Commerce.

**PROF. LEONOR MAGTOLIS BRIONES, 71, Filipino, Independent Director.** Prof. Briones is a Director for Policy and Executive Development, National College of Public Administration and Governance, University of the Philippines System, Diliman. She is also a Professor and Faculty Member, Graduate Level in the same university. Prof. Briones was also the Treasurer of the Philippines, Bureau of Treasury from August 1998 to February 2001 and was concurrently the Presidential Adviser for Social Development, with Cabinet Rank, Office of the President.

**ATTY. ALFONSO Y. GO, 73, Filipino, Independent Director.** Atty. Go was born on May 5, 1938 in Manila, Philippines. He graduated from University of the East in 1964 with a degree in Bachelor of Laws. Currently, he is a member of the Integrated Bar of the Philippines, and Philippine Institute of Certified Public Accountants. He is a practicing lawyer, accountant, realty developer and former banker.

**JAMES SAYRE, 51, American, Director.** Mr. Sayre holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts from the University of California at Davis. He is a Senior Managing Director at Black River Asset Management and focuses on private equity investments in the food sector. Prior to Black River, Mr. Sayre had been with Cargill since 1994, where he served as President and founder of Cargill Ventures, a proprietary fund with capital deployed across a 40-company portfolio. Mr. Sayre continues to manage a proprietary book of venture capital investments for Cargill. Prior thereto, Mr. Sayre was Director for global M&A at Cargill. Mr. Sayre has also worked as a Senior Manager for Deloitte Consulting and held a position with the United States Department of Agriculture. Aside from AgriNurture, Inc., Mr. Sayre is a board member of Virent Energy Systems, Inc., MarkMonitor Holdings, Inc. and Intalio.

**TAI-CHUAN LIN, 25, Austrian, Director.** Mr. Lin holds a Master's degree in Business & Finance from the Vienna University of Economics. He is also a CFA charter holder. Aside from AgriNurture Inc., Mr. Lin is a board member of AustAsia Investment Holdings Pte. Ltd., and Metallkraft A/S. He is a Director at Black River Asset Management and focuses on private equity investments across Asia. Prior to Black River, Mr. Lin worked at Credit Suisse First Boston, where he was a member of the M&A Group in New York and a member of the Natural Resources Investment Banking Group in London. During this time he was involved in various cross-border corporate finance advisory and capital market transactions. Prior thereto, Mr. Lin worked at HSBC Investment Bank in the Asian Natural Resources Group in Hong Kong and in the Global Natural Resources Group in London. During this time he focused mainly on M&A assignments.

**The list below sets forth the Company's principal officers as of 31 March 2012.**

**ANTONIO L. TIU, 36, Filipino, President/CEO.** Mr. Tiu also holds the following positions in the following companies: (i) President and Director of Earthright Holdings, Inc., (ii) Chairman of Sunchamp Real Estate Development Corp. and (iii) CEO of Beidahuang, Philippines Inc. He was a part time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. Mr. Tiu has a Masters degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and BS Commerce major in Business Management from De La Salle University, Manila. He is currently a Doctorate student in Public Administration at the University of the Philippines. In 2009, he was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009). He is an active member of Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

**DENNIS S. SIA, 36, Filipino, VP-Finance/Chief Finance Officer.** Mr. Sia is currently the Treasurer and VP-Finance for the ANI Group. He previously served as Head for Export of M2000 IMEX in 2004

to 2005. He has a degree in BS Commerce Major in Business Management from De La Salle University, Manila. He has previously served as Sales Executive of Banco De Oro, JG Petrochem, and Kuysen Enterprises from 1997 up to 2003.

**KENNETH S. TAN, 38, Filipino, VP-Admin/Chief Information Officer/Compliance Officer.** Mr. Tan was born on December 26, 1972. Prior to joining the Company as its Chief Information Officer, he was an officer of Citibank and Manulife Financial. He was a part-time lecturer in Economics at an international school in Manila. He earned his Bachelor of Arts degree from the Ateneo de Manila University.

**ATTY. MARTIN SUBIDO, 36, Filipino, Corporate Secretary.** Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a *B.S. Accountancy* degree from *De La Salle University* and obtained his Juris Doctor degree, with honors, from the *School of Law of Ateneo de Manila University*. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

**ATTY. JENNIFER ONG, 29, Filipino, Asst. Corporate Secretary/Asst. Information Officer.** Atty. Ong graduated from the Ateneo de Manila University in 2003 with a degree in Legal Management, and obtained her Bachelor of Laws degree from the University of the Philippines College of Law in 2007. She placed second in the 2007 Bar Examinations. Atty. Ong was an Associate at Lim Ocampo Leynes Law Offices from 2007 to 2009 and an Associate at Esguerra and Blanco Law Offices from 2009 to 2011, where she gained extensive experience in the fields of corporate and tax practice. In 2011, Atty. Ong joined the Law Firm of Subido Pagente Certeza Mendoza & Binay as a Senior Associate for corporate accounts.

**ATTY. LENIE BASILIO, 35, Filipino, Asst. Information Officer.** Atty. Basilio obtained her Bachelor of Arts in Political Science from the University of the Philippines and her Bachelor of Laws from the San Beda College of Law. She is also the Corporate Secretary of Central Equity Rural Bank, Inc., Beidahuang (Phils.) Agro-Industrial Development Corporation and Fresh and Green Palawan Agriventures, Inc. Before joining Agrinurture, Inc., she worked as IR&Legal Manager of Scanasia Overseas, Inc. and as Associate Lawyer of De Borja Santos Torcuator & Santos Law Offices.

**Term of Office** – The directors are elected at each annual stockholders meeting by the stockholders entitled to vote. Each director holds office for a period of one (1) year or until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Since the Company's last annual meeting held on 16 May 2011, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof.

However, on 9 January 2011, the Company received the resignation letters effective of even date submitted by two (2) of its directors, namely, Atty. Claro Certeza and Mr. Cristino Lim. Said resignations were for the purpose of allowing the election of Messrs. James Sayre and Tai-Chuan Lin, the nominees of Black River, as directors of the Company in compliance with the Investment Agreement dated 29 December 2011. On 13 January 2012, Messrs. Sayre and Lin were elected as directors of the Company to serve the unexpired term of Atty. Certeza and Mr. Lim.

On 13 January 2012, the Board of Directors created the Committee of Senior Advisors to act as *amicus curiae* to the Board of Directors on the Company's strategic planning, operations, projects and issues arising from the Company's operations. The members of said committee are to be appointed by Board of Directors.

The nominees for election to the Board of Directors on 21 May 2012 are as follows:

1. Antonio L. Tiu
2. Peter Yang (Yang Chung Ming)
3. Dennis Sia
4. George Uy

5. Kenneth Duca
6. James Sayre
7. Tai-Chuan Lin
8. Rich Gammill
9. Leonor Briones (Independent Director)
10. Alfonso Go (Independent Director)
11. Senen Bacani (Independent Director)

All the nominees are Filipino citizens with the exception of (i) Mr. Peter Yang (Yang Chung Ming) who is a Chinese (ROC) citizen, (ii) James Sayre who is an American citizen and (iii) Tai-Chuan Lin who is an Austrian citizen.

**Independent Directors** – The incumbent independent directors of the Company are as follows (i) Leonor Briones and (ii) Atty. Alfonso Go.

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the Securities Regulation Code ("SRC").

In compliance with SEC Memorandum Circular No. 16 Series of 2002 (now Rule 38 of the SRC), which provides for the guidelines on the nomination and election of independent directors, a Nomination Committee has been created. Said Committee is headed by Atty. Alfonso Go as Chairman with Antonio L. Tiu and James Sayre as members.

The Nomination Committee pre-screened the nominees for election as independent directors conformably pursuant to the criteria in the SEC Memorandum Circular and in the Manual on Corporate Governance. The final list of nominees as pre-screened by the Nomination Committee:

<b>Nominee for Independent Director (a)</b>	<b>Person/Group Recommending Nomination (b)</b>	<b>Relation of (a) and (b)</b>
1. Leonor Briones	Antonio L. Tiu	None
2. Alfonso Go	Antonio L. Tiu	None
3. Senen Bacani	Antonio L. Tiu	None

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines on the nomination of independent directors as prescribed in SRC Rule 38.

#### ***a. Significant Employees***

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

#### ***b. Family Relationships***

There are no family relationships between and among the directors and officers of ANI. The directors owning nominal shares in the subsidiaries of ANI, on the other hand, have the following family relationships: (i) Antonio Tiu and James Tiu are siblings; (ii) Dennis Sia and Nanchi Lin Sia are husband and wife; (iii) Tammy Lin is the brother of Nanchi Lin Sia.

The family relationships among the shareholders of ANI, on the other hand, are as follows: (i) Antonio Tiu, James Tiu and Jaime Tiu are siblings; (ii) Antonio Tiu and Lee Ya Chuan are husband and wife; (iii) Lee Pei Feng is the mother of Antonio Tiu, James Tiu and Jaime Tiu; (iv) Tiu Peck is the grandfather of Antonio Tiu, James Tiu and Jaime Tiu; (v) Nansi Li is the cousin of Antonio Tiu, James Tiu and Jaime Tiu; (vi) Dennis Sia is the brother-in-law of Tammy Lin; and (vii) Ann Buencamino and James Tiu are husband and wife. Jacqueline Tiu is not related to any of the aforementioned members of the Tiu family.

### **c. Involvement in Certain Legal Proceedings**

While not material in nature, the Company instituted a criminal complaint for qualified theft against Ysa Bries entitled “**Agrinurture, Inc. vs. Ysa Bries**”, docketed as Criminal Case No. Q-10-166-345 pending before the Branch 100 of the Regional Trial Court, Quezon City. The complaint alleges that Ms. Bries, who was a former employee of the Company, unlawfully took cellular phone units and SIM cards belonging to the Company without the latter’s consent, resulting in losses to the Company in the approximate amount of only Php396,643.49. There is an outstanding warrant of arrest issued against the accused.

Moreover, the Company filed a Petition for Review under Section 11 of Republic Act No. 1125 (as amended by Republic Act No. 9282) against the Commissioner of Internal Revenue in the case entitled “**Agrinurture, Inc. vs. Commissioner of Internal Revenue**” docketed as C.T.A. Case No. 10-240 pending before the Court of Tax Appeals. In said case, the Company is seeking to reverse the decision of the Commissioner of Internal Revenue (CIR) affirming the assessment issued against the Company in the amount of Two Million Forty Three Thousand Three Hundred Thirty Five and 5/100 Pesos (Php 2,043,335.05) for alleged deficiency taxes for taxable year 2007. On 27 January 2011, the Company received the Final Assessment Notice (the “*Assessment*”) dated 30 December 2010 issued by the Bureau of Internal Revenues (BIR) demanding that it pay the alleged deficiency Income Tax and Value Added Tax (VAT) for the calendar year 2007 predicated solely on the alleged discrepancy in the Reconciliation of Listing of Enforcement (RELIEF) and Third-Party Matching of the Bureau of Customs (BOC) declared in the Corporation’s tax return. On 18 February 2011, or within the reglementary period, the Corporation filed a letter dated 15 February 2011 with the CIR protesting the *Assessment* and requesting that the latter be cancelled for lack of merit both in fact and in law (the “*Protest*”). The Company noted that the *Assessment* is patently void for failing to state the facts, laws, rules and regulations, or jurisprudence on which it is based. Despite repeated requests by the Corporation, the details of the alleged discrepancy in the RELIEF and Third-Party Matching BOC were never supplied by the BIR. The Company further noted that even assuming arguendo that there was indeed a discrepancy, it pertains to a purported purchase transaction of the Corporation which would result in a lower Income Tax, *i.e.*, an expense item that can be claimed as an allowable deduction, and lower VAT payable, *i.e.*, an expense item from which VAT Input Tax may be claimed. After the lapse of one hundred eighty days (180) from its filing, or as of 17 August 2011, no action was taken by the CIR on the *Protest*. Thus, under Section 11 of Republic Act No. 1125 (as amended by Republic Act No. 9282), the Company had a period of thirty (30) days from 17 August 2011, or until 16 September 2011, within which to file the *Petition* with the Court of Tax Appeals. In the hearings held on 30 January 2012 and 15 February 2012, the Corporation presented its two (2) witnesses, Ms. Ma. Lizette B. Navea and Mr. Rafaelito M. Soliza. The last scheduled hearing was on 13 March 2012. The Company has filed its Formal Offer of Evidence. The next scheduled hearing is on 25 April 2012.

Further, on 22 February 2012, the Company filed a civil case for sum of money against Robson Agro-Ventures Corporation (“Robson”). Said civil case is entitled “**Agrinurture, Inc. vs. Robson Agro-Ventures Corporation**” docketed as Civil Case No.114-M-2012 pending before the Regional Trial Court of Bulacan, Branch 9. In said case, the Company prayed that the court order Robson to pay the amount of \$28,105.00 or Php 1,219,223.00 plus 12% interest per annum as actual damages, and the amount of \$10,000.00 or Php 433,810.00 for unrealized profits. The case stemmed from a Purchase Agreement dated 21 March 2011 between the Company and Robson wherein Robson promised to deliver and supply fresh and premium quality Cavendish Bananas to the Company upon its order within four (4) days from receipt of the payment. On 2 April 2011, the Company ordered from Robson 7,700 boxes of Cavendish Banana amounting to \$56,210.00. On 6 April 2011, the Company paid Robson the amount of \$28,105.00 representing 50% of the total purchase price and bank and wire charges. However, on 8 April 2011, despite having received the advance payment of the 50% of the purchase price, Robson failed to deliver the goods. The Company made repeated verbal and written demands upon Robson for the latter to return the advance payment in the amount of \$28,105.00, but Robson failed to do so. Hence, the Company was constrained to file a civil case for sum of money against Robson to protect its interest.

Lastly, to the best of the Company’s knowledge, there has been no occurrence during the past five (5) years up to the date of this Definitive Information Statement of any of the following events that are

material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

***d. Certain Relationships and Related Transactions***

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

See Note 6 (Related Party Transactions) of the Notes to the 2011 Audited Financial Statements.

**6. Compensation of Directors and Executive Officers**

The following are the Company's top five (5) most highly compensated executive officers:

<b>Name of Officer</b>	<b>Position/ Title</b>
Antonio L. Tiu	President/Chairman/CEO
Dennis Sia	VP-Finance/ GM-Trading Division
Kenneth S. Tan	VP-Admin / Compliance Officer
Jen Sorensen	GM-Manufacturing/Processing Division
Adrienne Martinez	GM-Dairy Division

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2010, 2011 and 2012 (estimated). It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	<b>Year</b>	<b>Salaries (Amounts in P'000)</b>	<b>Bonuses (Amounts in P'000)</b>	<b>Other Income (Amounts in P'000)</b>
CEO and the four (4) most highly compensated officers named above	2010	Php4,925	Php410	NONE
	2011	Php5,171	Php430	NONE
	2012	Php5,345	Php445	NONE

Aggregate compensation paid to all other officers and directors as a group unnamed	2010	Php2,197	Php217	NONE
	2011	Php2,307	Php227	NONE
	2012	Php 12,894	Php 1,074	NONE

Since the date of their election, the directors have been receiving Php5,000.00 as allowance per meeting. Aside from the foregoing, the directors have served without compensation. The directors did not also receive any amount or form of compensation for committee participation or special assignments. Under Section 8, Article III of the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable *per diem* allowance for their attendance at each meeting of the Board. Also provided therein is the compensation of directors, which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. As of this date, no standard or other arrangements have been made in respect of director's compensation.

In connection with this, the Company has a Compensation Committee to assist the Board in establishing the appropriate incentive and compensation plans, as well as to administer such plans. Said Committee is headed by Atty. Alfonso Go as Chairman with Antonio L. Tiu and James Sayre as members.

On 19 May 2009, 6,500,000 Warrants were issued directors, officers and employees of the Company and/or its subsidiaries, with 5,400,000 issued to current directors and officers of the Company and 1,100,000 issued to former employees, to wit:

	Number of Warrants
<b>Antonio L. Tiu</b> <i>Chief Executive Officer</i>	2,450,000
<b>Dennis Sia</b> <i>VP-Finance</i>	850,000
<b>Yang Chung Ming</b> <i>Director</i>	750,000
All other officers and directors as a group	1,350,000
<i>Sub-total (directors and officers)</i>	<b>5,400,000</b>
Employees	1,100,000
<b>TOTAL</b>	<b>6,500,000</b>

These Warrants were subject to the following terms and conditions: (i) the Warrants are European Call Options, 5 years after issuance; (ii) the issue price of the Warrant is Php0.00; (iii) the strike price of the Warrant is Php20.00 per share; and (iv) the conversion ratio is one (1) Warrant to one (1) Common Share.

The holders of the Warrants have the right but not the obligation to exercise his/her right to conversion and delivery of the underlying common share/s after five (5) years from the date of issuance of the Warrant/s (the "Exercise Period"), at a Strike Price of Php20.00 per share at the time of exercise.

The holders of the Warrants can exercise the Warrant by filing a request form in the office of the Company. Exercise of the Warrant requires filling-out, disclosing and presenting the following information and documents:

- Duly accomplished Notice of Conversion form
- Warrant certificate or the electronic equivalent
- Payment of the strike price of Php20.00 per share
- 2 valid identification cards

## **7. Independent Public Accountants**

The Company, upon approval of the Board of Directors and the stockholders obtained during the last Annual Stockholders' Meeting held on 16 May 2011, appointed BDO Alba Romeo & Co. as its external auditor with Michael D. Roxas named as principal accountant. The external auditor examined, verified and reported on the earnings and expenses of the Company.

Apart from the audit and audit-related fees in the amounts of P1,830,000 for 2008, Php2,217,600 for 2009, Php 2,324,100 for 2010 and Php2,236,852 for 2011, no other services such as assurance or related services, tax accounting, compliance, advice, planning, or other kinds of services were rendered and no other fees were billed by the Company's auditors as of the years ended 31 December 2008, 2009, 2010 and 2011. BDO Alba Romeo does not have any direct or indirect interest in the Company.

Representatives of BDO Alba Romeo are expected to be present at the meeting, and they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions. To the knowledge of the Management, BDO Alba Romeo is observing the required rotation of their assigned external auditors to the Company.

During the two (2) most recent fiscal years or any subsequent interim period, there has been no resignation by, dismissal of or cessation of the performance of services by the Company's independent accountant/ external auditor.

There has not been any disagreement between the Company and its independent accountant/ external auditor, BDO Alba Romeo & Co., with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

BDO Alba Romeo & Co. has served the Company as its independent accountant/external auditor since 2006. In compliance with SRC Rule 68, paragraph 3(b)(iv), BDO Alba Romeo & Co. intends to rotate the external auditors assigned to the Company.

To assure that the Company's financial statements are properly and cost effectively audited by qualified accountants who are independent and to assist the Board of Directors in fulfilling its oversight responsibility with respect to the maintenance of an effective internal audit function, the Company has an Audit Committee headed by Leonor Briones as Chairman with Antonio L. Tiu and Tai-Chuan Lin as members.

## **8. Compensation Plans**

Pursuant to the Investment Agreement with Black River and as approved by the Board during a meeting on 13 January 2012, the Company intends to offer a Stock Option Plan (the "Plan") to key officers and employees under such terms and conditions determined by the Board.

The Plan shall be submitted to the stockholders for approval/ratification during the Annual Stockholders' Meeting on 21 May 2012.

The following are the salient provisions of the Plan, among others:

- a. The period for the exercise of the right to subscribe for shares granted or to be granted to a participant pursuant to the Plan (the "Option") shall be subject to the determination of the Board of Directors of the Company, based on the recommendation of its Compensation Committee.

- b. The exercise price shall be ten pesos (PhP10.00) per share ("Exercise Price"), which is the price at which a participant shall subscribe for each share upon the exercise of the right to subscribe under the Plan, as may be adjusted in accordance with the Plan.
- c. Shares subject of the Plan are 13,800,000 common shares of the Company, provided that the increase in the Company's authorized capital stock from PhP300 Million to PhP1 Billion is approved by the SEC.
- d. Participants to the plan are Antonio L. Tiu ("Mr. Tiu") and officers and employees of the Company and its subsidiaries other than Mr. Tiu ("Other Participants") who would be identified by the Board to have shown loyalty and/or rendered, directly or indirectly, valuable service to the ANI Group, and selected to participate in the Plan in accordance with the Plan.
- e. The Board may/shall grant Options to subscribe for the Shares as follows:

	<b>No. of Available Shares</b>
Mr. Tiu	2,150,000
Other Participants	5,150,000
Earmarked for the exercise of the outstanding warrants	6,500,000
<b>Total</b>	<b>13,800,000</b>

In addition to the 2,150,000 Shares available for Mr. Tiu and 5,150,000 Shares available for the Other Participants, Mr. Tiu and said Other Participants shall be entitled to the Options pertaining to the 6,500,000 Shares earmarked for the exercise of the outstanding warrants after 19 May 2014 under the following conditions:

- i. Options to subscribe for Shares equivalent to the number of unexercised Warrants issued to Mr. Tiu, which shall not exceed 2,450,000, shall be offered to him by the Company; and
- ii. Options to subscribe for Shares equivalent to the number of unexercised Warrants issued to persons other than Mr. Antonio L. Tiu, which shall not exceed 4,050,000, shall be available to be offered to the Other Participants by the Company.
- f. Subject to the provisions of the Plan on eligibility of Participants, the aggregate number of Shares in respect of which Options may be offered to a Participant for subscription in accordance with the Plan (other than the Shares allotted to Mr. Tiu) shall be determined at the discretion of the Board, which should be exercised judiciously. In making this determination, the Board shall take into account criteria such as the rank and responsibilities within the ANI Group, performance, years of service/appointment and potential for future development of the Participant and the performance of the Company.
- g. An Option shall be personal to each of the Participants and shall not be transferred (other than to a Participant's personal representative pursuant to reasonable conditions as may be required by the Board on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Board.
- h. The Board may grant Options at any time to the Other Participants within the period during which the Plan is in force; provided that, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information relating to the Company is made, Options may only be granted on or after the second Trading Day from the date on which such announcement is released.



- i. At the option of the Participant, payment of the Exercise Price and the amount of withholding tax required to be paid (if exercised) may be made:
  - i. through outright cash payment; or
  - ii. within one (1) year, with interest at the rate of 3% p.a., in twenty four (24) equal and consecutive semi-monthly installments to be deducted from the Participant's salary. Under the installment option, the Participant may, at any time, prepay the remaining of the Exercise Price and the taxes due on the issuance of the Shares representing the Option either through (i) cash, or (ii) a deduction from the Participant's salary for such remaining balance, which deduction shall be made on the payroll period as may be advised in writing by the Participant to the Company. The total Exercise Price for all of the Shares of a Participant who opts to pay on installment basis under this Section 6.1(b) must not exceed his monthly gross salary at the time of such Participant's exercise of the Options. The Participant must pay outright in cash to the extent that the total Exercise Price exceeds his monthly gross salary at the time of such Participant's exercise of the Options.

## ISSUANCE AND EXCHANGE OF SECURITIES

### 9. Authorization or Issuance of Securities Other than for Exchange

#### (a) Title and amount of securities to be issued

Subject to the approval of the Securities and Exchange Commission ("SEC"), the Company has filed an application for the increase in its authorized capital stock from Three Hundred Million Pesos (Php300,000,000.00) to One Billion Pesos (Php1,000,000,000.00) consisting of One Billion (1,000,000,000) Common Shares with a par value of Php1.00 per share.

The Board of Directors, in a meeting on 25 March 2011, and the stockholders, during the previous Annual Stockholders Meeting held on 16 May 2011, approved the issuance of convertible bonds, debentures and/or notes up to the total amount of P2 Billion under such terms and conditions to be determined by the Board of Directors.

#### (b) Description of securities

##### *b.1. Common Shares*

At present, the authorized capital stock of the Company is Three Hundred Million Pesos (Php300,000,000.00), Philippine Currency, consisting of Three Hundred Million (300,000,000) Common Shares with a par value of Php1.00 per share. On 16 December 2009, the stockholders of the Company approved the proposed increase of the authorized capital stock of the Company from Three Hundred Million Pesos (Php300,000,000.00) to One Billion Pesos (Php1,000,000,000.00) consisting of One Billion (1,000,000,000) Common Shares with a par value of Php1.00 per share. Subject to the approval of the Securities and Exchange Commission ("SEC"), the Company has filed an application for the increase in its authorized capital stock from Three Hundred Million Pesos (Php300,000,000.00) to One Billion Pesos (Php1,000,000,000.00) consisting of One Billion (1,000,000,000) Common Shares with a par value of Php1.00 per share.

Out of the 300 Million authorized capital stock of the Company, 271,410,867 common shares are issued and outstanding, while 240,217,917 are listed on the Second Board of the PSE. The Company intends to file with the PSE an application for the follow-on offering of the remaining unissued registered shares of stock or such other number of shares as may be deemed necessary and appropriate by the Board of Directors under such terms and conditions as may be agreed upon by the Company and its underwriters.

The shares of the Company are no longer listed on the National Stock Exchange of Australia (NSX). Pursuant to its intention to be de-listed from the NSX, the Company was voluntarily de-listed from the NSX effective on 30 June 2011.

All of the common shares in issue or to be issued have, or upon issue, will have identical rights and privileges. The Common Shares may be owned by any person regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies.

On 16 December 2009, the Board of Directors of the Company approved the declaration of a cash dividend of Php0.01 per share to all outstanding shares of the Company as of record date 07 January 2010, payable on 19 January 2010. Aside from the foregoing, the Company has not declared any other dividends. The Board of Directors may decide to declare dividends, whether in the form of cash, property or stock, from the unrestricted retained earnings of the Company at a time and percentage as the Board of Directors may deem proper and in accordance with pertinent laws.

On 11 April 2012, the Board of Directors of the Company approved the declaration of 20% stock dividends with the ex-dividend date, record date, and payment date to be determined by the Board of Directors in accordance with the rules and regulations of the SEC and PSE. The stock dividends will be issued from the unissued portion of the resulting increase in the authorized capital stock of the Company to Php 1,000,000,000.00.<sup>1</sup> The declaration of 20% stock dividends will be submitted for stockholders' approval during the Annual stockholder's meeting on 21 May 2012.

The shares from the unissued portion of the authorized capital stock of the Company are not subject to a pre-emptive right of the stockholders and may be issued in quantities, at such time, and under such terms as the Board of Directors of the Company should determine.

Apart from the foregoing, there are no other material rights of common stockholders of the Company.

There are no existing provisions in the Amended Articles of Incorporation and Amended By-Laws of the Company, which may cause delay, deferment or in any manner prevent a change in control of the Company.

Neither the Company nor its shareholders, directors and officers, are party to any contract or arrangement which may result in the change in the control of the Company.

## *b.2. Warrants*

At present, the Company has created 20,000,000 Warrants relating to 20,000,000 common shares with a par value of Php1.00 per share, of which, 6,500,000 Warrants relating to 6,500,000 common shares are issued and outstanding. These warrants are registered with the SEC. The Company intends to file with the PSE an application for listing of the 20 Million Warrants relating to 20 Million common shares.

These Warrants are subject to the following terms and conditions: (i) the Warrants are European Call Options, 5 years after issuance; (ii) the issue price of the Warrant is Php0.00; (iii) the strike price of the Warrant is Php20.00 per share; and (iv) the conversion ratio is one (1) Warrant to one (1) Common Share.

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<sup>1</sup> On 16 December 2009, the stockholders of the Company approved the increase in its authorized capital stock from Php300,000,000.00 to Php1,000,000,000.00 consisting of 1,000,000,000 common shares with a par value of Php1.00 per share (the "Increase"). The Company has filed an application for said Increase with the Securities and Exchange Commission (SEC) and, as of 19 April 2012, is awaiting the issuance of the pertinent Certificate of Increase by the SEC. Of the proposed increase in authorized capital stock, 175,000,000 shares with a par value of Php1.00 per share or an aggregate par value of Php175,000,000.00 have been subscribed and fully paid in cash.

## **10. Financial and Other information**

### ***a. Audited Financial Statements***

The Audited Financial Statements of the Company as of 31 December 2011 (prepared in accordance with SRC Rule 68, as amended, and Rule 68.1) together with the Statement of Management's Responsibility are attached as **Annex "A"** hereof.

## **MANAGEMENT REPORT**

### ***a. History and Overview***

Incorporated on 04 February 1997, ANI started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

ANI eventually diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh mango exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana, pineapple and papaya to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

On 8 August 2011, the SEC approved the amendment of the Articles of Incorporation to (i) include the business of retail in the primary purpose of the Company and (ii) increase the number of the members of the Board of Directors from nine (9) to eleven (11).

On 5 September 2011, the Company acquired 51% of the outstanding capital stock The Big Chill, Inc. (TBC), a corporation engaged in the business of selling beverages and food products under the brands "Big Chill", "Fresh Bar", "C'Verde" and "Canefusion" with over forty (40) branches. The acquisition completed the innovative "farm-to-plate" business model of the Company that would allow and enhance the synergy of all of the Company's fruit and vegetable businesses. Through TBC, which has almost 2 decades of operating experience, the Company will now have the retail-side of its business model that would allow the Company to fully maximize the use of its agricultural products.

### ***b. Investment by Black River Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd.***

On 29 December 2011, the Company entered into an Investment Agreement with, among others, Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. ("Black River"). Black River is a limited private company organized and existing under the laws of Singapore, with registered office address at 300 Beach Road #23-01 The Concourse, Singapore 199555. Black River is a wholly-owned subsidiary of Black River Capital Partners Fund (Food), LP. Black River Capital Partners Fund (Food), LP is a fund managed by Black River Asset Management LLC, the latter being an independently managed subsidiary of Cargill, Inc.

Under the Investment Agreement, Black River shall acquire an aggregate of 125,486,095 Common Shares (each an "Investment Share" and collectively, the "Investment Shares") in the Company for an aggregate amount of US\$30,450,000 (the "Investment Price"). The Investment Shares consist of (i) 76,293,595 Common Shares (the "Sale Shares") which shall be purchased by Black River from Messrs. Chung Ming Yang, Jaime Tiu, Yuan Kuo Jung, Ken Lai Tiu, Ken Swan Tiu, Ken Him Tiu and Ken Kwen Tiu (the "Selling Stockholders") on 20 January 2012 (the "Share Purchase"), and (ii) 49,192,500 Common Shares (the "Subscription Shares") which shall be subscribed by Black River out of the increase in the Company's Authorized Capital Stock from P300,000,000.00 to P1,000,000,000.00 (the "Increase") to be undertaken by the Company (the "Investor Subscription").

The Sale Shares shall be equivalent to 28.11% of the outstanding capital stock of the Company on 20 January 2011, and the Investment Shares shall be equivalent to 28.11% of the outstanding capital stock of the Company upon the approval of the Increase by the SEC.

As provided in the Investment Agreement, the closing of the Share Sale and the Investor Subscription (the "Closing") shall take place on January 20, 2012 or such other date as may otherwise be agreed between the Company and the Investor (the "Closing Date").

Under the Investment Agreement, the Sale Shares shall be sold by way of a regular or special block sale through the Philippine Stock Exchange ("PSE") (whichever is appropriate at the time of Closing). The purchase price for the Sale Shares shall be US\$21,890,505 (the "Purchase Price"), which shall be payable to each Selling Stockholder. The Purchase Price shall be paid in United States Dollars to account of the Company, the latter acting as the Attorney-In-Fact of the Selling Stockholders to receive the Purchase Price. Further, the Company and Earthright Holdings, Inc. ("Earthright"), a domestic holding company, shall execute a subscription agreement to subscribe for 125,807,500 shares out of the Increase for the aggregate subscription price of US\$21,890,505. The Selling Stockholders shall issue instructions to the Company to apply the Purchase Price received by the Company on behalf of the Selling Stockholders as full payment of Earthright's subscription. The Company and Black River shall also execute a subscription agreement to subscribe for the Subscription Shares for the aggregate subscription price of US\$8,559,495 (the "Subscription Price").

The 125,486,095 common shares acquired by Black River shall be subject to voluntary lock-up for a period of eighteen (18) months, while the 125,807,500 common shares acquired by Earthright shall be subject to voluntary lock-up as follows:

- i. 100% of the shares for a period of three (3) years following Closing date (the "First Moratorium Period");
- ii. 67% of the shares for a period of one (1) year after the First Moratorium Period (the "Second Moratorium Period"); and
- iii. 34% of the shares for a period of one (1) year after the Second Moratorium Period.

On 19 January 2012, (i) the Sale Shares were sold by way of a regular block sale through the PSE; and (ii) Black River and Earthright entered into subscription agreements with the Company for the Subscription Shares.

The investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into the Company which is necessary in order to fund its local and global expansion.

### ***c. Nature and Scope of the Business of ANI and its Subsidiaries***

ANI's operations are divided into four (4) groups to ensure the best value, variety and convenience in growing fruits and vegetables, manufacturing food products, and distributing fresh and processed food products, thereby completing the entire "farm-to-plate" cycle. The groups are as follows:

a) *Farming/Farm Management Group* - The Farming Group is engaged in rice, fruit, and vegetable production, joint-venture farming, and contract growing. Agricultural goods produced by the Farming Group are supplied to the Distribution and Manufacturing Groups.

Aside from fruit and vegetable production, the Farming Group is also engaged in the distribution of farm inputs such as seeds, fertilizers, pesticides, greenhouse technology, and farm machineries and equipment.

The activities of the Farming Group are undertaken by its four (4) divisions, namely: Vegetables, Fruits, Grains, and Inputs/Equipment Trading.

Under the Vegetable Division, vegetable farms are classified as either lowland vegetables or highland vegetables. At present, the division has company-managed farms located in Dau, Pampanga; Capas, Tarlac; Trece Martirez, Cavite; and Indang, Cavite. The division is also involved in contract growing projects in Floridablanca, Pampanga and Indang, Cavite.

On the other hand, the Fruits Division is involved in the production of mango and banana for the export and local markets. For mango, supply comes from contract growing projects in Luzon and Mindanao. For banana, the company is in the process of acquiring its own banana plantation to ensure the supply for its expanding export market.

The Grains Division handles rice and corn production. Operations are concentrated in the provinces of Pampanga and Nueva Ecija. Contract growing projects are continuously implemented with partner farmers to secure supply during the season. To maximize the grain operations, the Farming Group also maintains a warehouse located in Arayat, Pampanga.

Lastly, the Inputs/Equipment Trading Division is involved in the sale, distribution, delivery, and fabrication of different farm inputs and equipment.

The Farming Group plans to expand its operations by engaging in a large scale operation of banana and pineapple plantations.

b) *Manufacturing and Processing* - The Manufacturing and Processing Group currently operates two (2) factory sites, one (1) in Pulilan, Bulacan and another in Cagayan de Oro (CDO).

The factory in Pulilan is primarily utilized in manufacturing coconut juice in cans for local and export markets. The plant is also engaged in the Blast Freezing of vegetables and fruits for the same markets. Further, the research and development facility in Pulilan is currently developing isotonic drinks, RTD coffee in cans, juices and nectar in cans as well as vegetable cream soups.

On the other hand, the facility in CDO is primarily utilized in manufacturing purees from tropical fruits, fruit salad and buko salad preparations, and frozen fruits. The CDO plant caters to local and export markets.

The Manufacturing and Processing Group is currently undertaking various projects such as the establishment of an aseptic Tetra Pak processing and filling line for contract packing of Coco Water for local and international companies. The facility will also be able to cater to ANI's own brands and markets. It also intends to establish another facility to serve ANI's own Dairy Division by manufacturing various dairy products.

Moreover, the Manufacturing and Processing Group will be responsible for operating the new commissary which will cater to the ANI Group's chain of food and beverage outlets such as Big Chill, Tully's Coffee, Cafe Verde and others. It will also offer commissary services to external clients.

The Manufacturing and Processing Group is currently working on identifying a number of possible acquisitions of brands as well as manufacturing facilities to enhance its ability to strengthen the ANI Group's position in the agriculture business, both locally and internationally.

c) *Distribution/Trading Group* - The Distribution/Trading Group is composed of several companies with First Class Agriculture Corporation Corporation (FCA) at the forefront. FCA and its subsidiaries, Fresh and Green Harvest Agricultural Company, Inc. (FG) and Lucky Fruit and Vegetable Products, Inc. (LF), are the main distribution arm of ANI's agricultural products under the "Fresh Choice Always" brand.

FCA and its subsidiaries are presently one of the largest wholesalers of fresh vegetables to leading supermarkets in the Philippines. In the Luzon area alone, FCA, FG and LF cater to more than a hundred supermarkets. In addition, FCA and its subsidiaries supply fresh vegetables to in-house brands of various supermarkets.

As for international distribution, this activity is being undertaken by Sunshine Supplies International Co., Ltd., Xiamen Wantaixing Trading Co. Ltd. and Hansung Agro Products Corp. These companies

sell and distribute agricultural and other commodities in Hong Kong, Macau, China, Japan, Korea, and Europe.

In the local front since fruits and vegetables are sourced on a nationwide scale from three (3) types of suppliers: ANI subsidiaries engaged in farming/farm management, farmers with supply contracts, and buying station, the Distribution Group through ANI, established its own logistics arm, specifically, Qualis Logistics and Transport Services, Inc. Through its logistics arm, the Distribution Group is able to deliver farm-fresh produce to its customers. Qualis transports goods from source to the warehouse facilities for packing. The trucks then deliver these goods to the various supermarket outlets and wet markets where they are put on shelf and are ready for consumption of the end users. For highly perishable goods, refrigerated trucks are used to transport the goods to the supermarkets.

Meanwhile, the Distribution Group intends to boost revenues not only by opening new supermarket and institutional accounts but also through new and innovative distribution methods such as direct selling approach to address consumers' need for fresh produce amidst problems on lack of proper storage in homes.

In addition to the above plan of expanding the Distribution Group distribution reach locally, FCA also intends to take its business at a global level. The Distribution Group aims to enter the Australian and US markets.

Finally, the Distribution Group will undertake aggressive expansion of its product portfolio. It intends to launch new products such as processed foods, grains, and condiments. To complement said expansion, the Distribution Group will use modern technology to increase the shelf life of their products, such as building a cold storage facility and purchasing more refrigerated trucks.

d) *Retail Group* - On 8 August 2011, the SEC approved the amendment of the Articles of Incorporation of the Company to, among others, include the business of retail in the primary purpose. In line with this, ANI established its Retail Group in August of 2011. The establishment of the Retail Group completes its strategy of integrating Retail and Franchise into its portfolio of services in line with its vision of becoming a global leader in providing nutrition from farm to plate.

The *Farming/Farm Management Division, Manufacturing/Processing/Product Research Group, Distribution/Trading Group, Distribution/Trading Group and Retail Group* are hereinafter referred to collectively as the "ANI Group".

### **Farming/Farm Management Group**

The Company's direct and indirect subsidiaries under the Farming/Farm Management Group are as follows:

- a. Best Choice Harvest Agricultural Corporation;
- b. Baidehuang (Phils.) Agro Industrial Development Corporation;
- c. Fresh & Green Palawan Agriventures, Inc.; and
- d. Ocean Biochemistry Research Technology, Inc.

#### *a. Best Choice Harvest Agricultural Corporation*

The ANI Group's farming activities are mainly handled through Best Choice Harvest Agricultural Corporation (BCH), a wholly owned subsidiary of the Company, which is engaged in the management and development of the Company's farms in various provinces throughout Central Luzon and Mindanao. Current expansion and development of the farms are being undertaken by BCH with the objective of eventually making the farms the primary source of supply for the ANI Group. Gross revenue of the Farming Group in 2011 amounted to Php467.7M generating a net income before tax of Php116.6M.

Pursuant to BCH's long term objective of uplifting the standard and quality of life of Filipino farmers, it entered into partnerships with farmers and/or farmer cooperatives through contract farming. This coordinates the linkages between the farmers and/or farmer cooperatives and BCH. Under this system, BCH commits to support the farmer/farmer cooperative's production by supplying farm inputs

and providing technical advice. In return, the farmers/farmer cooperatives commit to exclusively provide specific commodity to BCH at the agreed quantity and quality thereby guaranteeing the ANI Group a reliable source of supply of fruits and vegetables.

BCH is also engaged in the introduction, field-testing and commercialization of new, imported crop varieties that are high yielding as well as livestock integration and bio-fuel feedstock development. It operates a 35-hectare demo farm located in Dau, Pampanga which is in the heart of Luzon. It showcases the different crops that can be grown in the region. In the same compound, in collaboration with the China-Guangdong government, a center was setup to educate farmers on new techniques and to introduce advanced ways of farming. The said facility has become a one-stop shop for the farmers.

To support its venture into organic farming, ANI recently entered into Letters of Cooperation with the People's Government of Tianyang, Guangxi, China, covering multi-million projects in organic farming and processing, and organic fertilizer production.

It is noteworthy that the Philippine Government recently enacted the Organic Agriculture Act of 2010 which aims to promote organic farming in the country. A salient feature of the law is the provision of incentives to micro, small and medium-scale organic farmers, such as income tax holiday, zero value-added tax on the purchase of organic inputs or bio-organic produce and exemption from the payment of import duties on agricultural equipment or machinery. BCH anticipates that it will be able to take advantage of the incentives offered under the said new law to further strengthen the ANI Group's supply chain.

Meanwhile, although the ANI Group's main fresh export product continues to be Philippine mango, it is looking forward to becoming a key player in the banana industry. The prospect of Philippine bananas in the domestic and foreign market is still promising. It remains to be a consistent top dollar earner and locally it is the top fruit consumed by Filipinos. Taking these into consideration, vast tracks of lands in Mindanao are devoted to banana planting. To fund this project, the Group applied for and was granted multi-million long-term loans by the Planters' Bank. In addition, it entered into a Letter of Cooperation with the People's Government of Tianyang, Guangxi, China covering a multi-million banana farming project.

Additional supply of fresh produce is sourced through the Group's centralized purchasing office which operates and maintains nationwide buying stations and handles importation. The purchasing office is classified into several categories namely: Chopsuey, Pinakbet, Salad, Spices, Local Fruits, Imported Fruits, Commodities, and Other Non-Perishables.

BCH is licensed by the National Food Authority (NFA) to engage in the business of warehousing and wholesaling of rice and corn grits.

In addition, BCH is registered with the Board of Investments on a non-pioneer status as a "New Producer of Agricultural Products" (crops and fresh vegetables), and enjoys a four (4)-year income tax holiday beginning in July 2011.

*b. Beidahuang (Phils.) Agro Industrial Development Corporation (Beidahuang)*

Beidahuang was incorporated on April 20, 2010. It is engaged in agricultural research and development, corporate farming, distribution and wholesale of foods and foodstuffs, and operation of mills.

On 20 September 2011, BCH acquired 30% of the outstanding capital stock of Beidahuang.

Heilongjiang Beidahuang Seed Group. Co. Ltd., the biggest seed science & technology enterprise in Heilongjiang Province, PROC, holds 40% equity interest in Beidahuang.

Beidahuang aims to produce high-yield rice seeds and distribute these to local farmers to help them raise farm productivity and profitability.

To date, Beidahaung has propagated Mestizo 30, a type of high-breed rice, on 2,000 hectares of partner-farms with an investment of about P100 million.

*c. Fresh and Green Palawan Agriventures, Inc.(FG Palawan)*

FG Palawan was incorporated on September 9, 2008. 51% of the outstanding capital stock of FG Palawan is owned by BCH. It is primarily engaged in corporate farming.

FG Palawan earned gross revenue of Php0.8M in 2011 generating a net income before tax of Php0.04M

*d. Ocean Biochemistry Research Technology, Inc.(Ocean Biotech)*

Ocean Biotech was incorporated on March 23, 2009. It is primarily engaged in the manufacturing and growing of agricultural products.

Fifty-one percent (51%) of the outstanding capital stock of Ocean Biochemistry Research Technology, Inc. is owned by M2000.

Ocean Biotech earned gross revenue of Php0.8M in 2011 generating a net income before tax of Php0.1M.

**Distribution/Trading Group**

The Company has the following direct and indirect subsidiaries under its Distribution/Trading Group:

- a. First Class Agriculture Corporation
- b. Fresh and Green Harvest Agricultural Corporation
- c. Lucky Fruit and Vegetable Products, Inc.
- d. Hansung Agro Products Corp.
- e. Farmville Farming Co., Inc.
- f. Qualis Logistics and Transport Services, Inc.
- g. Xiamen Wantaixing Trading Co. Ltd.
- h. Sunshine Supplies Co., Limited

*a. First Class Agriculture Corporation*

First Class Agriculture Corporation (FCA), a wholly-owned subsidiary of the Company, is engaged in the distribution of fruits and vegetables to supermarket chains, where it markets its products under the "FCA" (First Choice Always) brand. It supplies more than 100 varieties of vegetables and local fruits daily to 16 outlets in NCR and in some provinces in Luzon.

FCA earned gross revenues of Php454.0M in 2011, generating a net income before tax of Php40.5M

FCA is currently preparing to launch the ANI Group's condiments line. As the Company plans to import processed tomato products and its manufacturing subsidiary, M2000 Imex Co., Inc., intends to produce new product lines, such as soy sauce and vinegar, the Distribution Group will have additional products to offer to the market.

*b. Fresh and Green Harvest Agricultural Corporation*

Fresh and Green Harvest Agricultural Corp. (FG) is a wholly-owned subsidiary of FCA. FG is engaged in the commercial distribution of more than one hundred (100) varieties of fresh vegetables and local fruits to the SM Hypermarket chain. It supplies more than 100 varieties of vegetables and local fruits daily to 16 branches in the National Capital Region.

FG is licensed by the NFA to engage in the wholesale of rice and corn grits.

FG earned gross revenue of Php375.2M in 2011 generating a net income before tax of Php10.6M



*c. Lucky Fruit and Vegetable Products, Inc.*

Lucky Fruit and Vegetable Products Inc. ("LF") is a wholly-owned subsidiary of FCA. LF is engaged in the wholesale trading and distribution of commercial crops to various supermarkets, food service, and institutional accounts such as hotels, restaurants, public markets and catering companies throughout Luzon and the Visayas region. It recently opened a wholesale wet market store in Balintawak and is expected to enter the Mindanao market with Cagayan de Oro and Davao as its hubs.

LF is licensed by the NFA to engage in the business of warehousing and the wholesale of rice and corn grits.

LF's gross revenue in 2011 amounted to Php300.3M. Its net income before tax amounted to P Php6.1M

*d. Hansung Agro Products Corp. (Hansung)*

Hansung was incorporated on February 21, 2007 and became a wholly-owned subsidiary of ANI in 2011. It is primarily engaged in trading, wholesaling, importing and exporting goods including agricultural products. Hansung exports mangoes to Japan and Korea,

Hansung is accredited by the Bureau of Plant Industry as an exporter of fresh mangoes.

Hansung earned gross revenue of Php2.7M in 2011 generating a net income before tax of Php0.17M.

*e. Farmville Farming Co., Inc (Farmville)*

Farmville was incorporated on June 2, 2010. It is primarily engaged in trading and farming of fruits and vegetables.

ANI acquired ownership interest in Farmville and currently owns 51% of the outstanding capital stock of the latter.

Farmville earned gross revenue of Php 88.1M in 2011 generating a net income before tax of Php1.6M

*f. Qualis Logistics and Transport Services, Inc.(Qualis)*

Qualis was incorporated on February 1, 2010. It is primarily engaged in land transportation for the transportation and carriage of passengers, goods and merchandise within any place in the Philippines.

ANI acquired ownership interest in Qualis and currently owns 51% of the outstanding capital stock of the latter.

Qualis earned gross revenue of Php 37.3M in 2011 generating a net income before tax of Php 4.6M

*g. Xiamen Wantaixing Trading Co. Ltd. (Xiamen Wantaixing)*

Xiamen Wantaixing was organized in China and is engaged in the business of trading commodities, such as, plastic, feeds, grains and Cavendish Banana in the Greater China Region.

Wantaixing earned revenues equivalent to Php306.5M in 2011 and generated net income before tax in the amount of Php41.9M.

*h. Sunshine Supplies Co., Limited (Sunshine Supplies)*

Sunshine Supplies was organized in Hong Kong. It is engaged in the business of trading fruits and vegetables in Hong Kong, Macau, China, and Europe.

Sunshine earned revenues equivalent to Php44.6M in 2011 and generated net income before tax in the amount of Php5.7M

### **Manufacturing/Processing Group**

The Manufacturing/Processing Group consists of the following direct and indirect subsidiaries of the Company:

- a. M2000 Imex Co., Inc.
- b. Fruitilicious, Inc.

#### *a. M2000 Imex Co., Inc.*

M2000 Imex Co., Inc. ("M2000") is a wholly-owned subsidiary of the Company and is engaged in the manufacturing and processing of its own brand of canned fruit products such as coconut juice. M2000 likewise provides toll-packing services to several local companies and is operating a blast freezing unit to serve the overseas demand for frozen fruits, root crops and leafy vegetables. M2000's products are principally produced for export, with its largest markets being North America (30%), the Middle East (30%), Asia (25%), Europe (10%) and local 5%.

M2000's canning facility has a production capacity of 12,000 cans per hour. It sources aluminum cans from San Miguel Packaging while tin cans are imported from Taiwan.

The current manufacturing arm also act as the R&D unit for the fresh Distribution Group in terms of identifying shelf life extension techniques and value added processes for ready to cook and ready to eat items. All the excess inventory or off-standard perishables are being utilized as raw material for ready to eat healthy budget meals.

M2000 is a holder of a License to Operate as Food Manufacturer/Exporter of multi-products issued by the Food and Drug Administration.

Also, M2000 is a Board of Investment registered enterprise as New Export Producer of Frozen Fruits, Root Crops and Leafy Vegetables on a non-pioneer status with four (4) years income tax holiday starting on September 20, 2010.

M2000 earned revenues equivalent to Php164.0M in 2011 and generated net income before tax in the amount of Php19.6M.

#### *b. Fruitilicious, Inc.*

Fruitilicious, Inc. ("Fruitilicious") is located in Cagayan de Oro at the center of the fruit bountiful provinces of Bukidnon, Davao, Lanao del Norte and Agusan del Sur in Mindanao. Fruitilicious also serves as the group's logistics and sourcing hub for its Mindanao operations. It operates seven (7) hectares of farmland and a cold storage facility. It operates a blast freezing and food processing facility to produce frozen and dried fruit products and by-products for local and international clients. Fruitilicious is HACCP certified, which is proof that it supplies excellent and safe food products. Fruitilicious is 90%-owned by ANI.

Fruitilicious is certified by the TÜV SÜV PSB Philippines, Inc. to have established and applied a Food Safety System for the processing of tropical fruits into puree (frozen), frozen fruit mix (halo-halo & fruit salad), and frozen fruit cuts.

Fruitilicious earned revenues equivalent to Php11.9M in 2011 and generated net income before tax in the amount of Php0.8M.

### **Retail Group**

The direct and indirect subsidiaries of the Company under the Retail Group are as follows:

- a. The Big Chill, Inc.
- b. Heppy Corp.

*a. The Big Chill, Inc.*

51% of the outstanding capital stock of The Big Chill, Inc. (TBC) is owned by the Company. TBC is engaged in the business of selling, on retail, beverages and other food products under the following brands: **“Big Chill”**, **“Fresh Bar”**, **“C’Verde”** and **“A.N.T.S. Canefusion”**. At present, TBC has over forty (40) retail branches nationwide. The acquisition of TBC, completes the innovative “farm-to-plate” business model of the Company that would allow and enhance the synergy of all of the Company’s fruit and vegetable businesses. Through TBC, which has almost 2 decades of operating experience, the Company now has the retail-side of its business model that would allow the Company to fully maximize the use of its agricultural products. Further, with the acquisition of TBC, the Company can now aggressively pursue retail business outside of the Philippines under the Big Chill brands, initially using the Company’s existing investment platforms and distribution networks in China, Australia and the United States of America (USA).

TBC earned revenues equivalent to Php68.7M in 2011 and generated net income before tax in the amount of Php2.5M

*b. Heppy Corp. (Heppy)*

Heppy was incorporated on November 24, 2008. It is primarily engaged in buying, selling, distributing, and marketing fruit drinks.

Although organized in 2008, Heppy became a wholly-owned subsidiary of TBC on 1 September 2011.

***a. Management’s Discussion and Analysis of Financial Condition and Result of Operations***

**Overview**

ANI started as a simple manufacturing and trading company of post-harvest facilities. In 2001, ANI shifted its business to exporting fresh fruits and processed juices. Through hard work and strict adherence to quality service and products, ANI was recognized by PhilExport as one of the Top 50 Exporters of the Philippines.

In 2007, ANI acquired ownership of FCA, one of the country’s leading vegetable distributors. ANI likewise started an aggressive investment program in farming through its subsidiary, BCH. These acquisitions and aggressive investments were in line with ANI’s vision of establishing a strong farm-to-plate platform.

In 2011, the Company acquired 51% of the outstanding capital stock of TBC which is in the business of selling beverages and food products under the brands “Big Chill”, “Fresh Bar”, “C’Verde” and “Canefusion” with over forty (40) branches. The acquisition completed the innovative “farm-to-plate” business model of the Company that would allow and enhance the synergy of all of the Company’s fruit and vegetable businesses.

On 29 December 2011, the Company executed an Investment Agreement with Black River and Earthright Holdings, Inc. As discussed above, the investment contemplated under the Investment Agreement resulted in the infusion of fresh capital in the aggregate amount of US\$30,450,000 into the Company which is necessary in order to fund its local and global expansion.

Thus, ANI’s financial condition and results of operations as reported in the audited financial statements for 2008, 2009, 2010 and 2011 should be taken into context with the Company’s aggressive forward and backward integration that started in 2007. (See Annex A: Audited Financial Statements as of 31 December 2010)

The Company is one of the Philippines’ largest traders, processors and producers of fresh agricultural products. In 2008, 2009, 2010 and 2011 the Company’s net sales were P778.0 million, P1.0 billion, P1.6 billion and P2.3B, respectively, and net income for these periods were P8.7 million, P35.7 million, P638.7 million and P190.5M respectively.

## Summary Financial Information

Financial Statement Accounts (in Php '000 except per share figures)	AUDITED			
	As of 31 Dec. 2008	As of 31 Dec. 2009	As of 31 Dec. 2010	As of 31 Dec. 2011
<b>Income Statement Accounts</b>				
Net Sales	P777,965	P1,017,682	P1,585,012	P2,253,760
Gross Profit	134,024	151,716	270,707	P519,031
Operating Income	23,858	56,672	151,381	P320,613
Net Income after Income Tax	8,738	35,690	638,722	P217,463
<b>Balance Sheet Accounts</b>				
Total Current Assets	365,535	604,396	1,091,261	1,744,170
Total Assets	523,295	769,925	2,424,244	3,761,037
Total Current Liabilities	316,253	222,870	586,662	909,397
Total Liabilities	332,459	223,603	839,051	1,445,346
Total Stockholder's Equity	190,837	546,322	1,585,193	2,315,691
Total Liabilities and Stockholders' Equity	523,295	769,925	2,424,244	3,761,037

## FACTORS AFFECTING RESULTS OF OPERATIONS

### Demand and Pricing

The demand for ANI's products may be affected by fluctuations in prices, as determined by seasonality, weather, quality and farm productivity. While the Company deals in widely consumed agricultural products, especially fruits and vegetables, it may be argued that a large portion of these products represent discretionary purchases, demand for which is influenced by price movements.

The factors that affect domestic demand may likewise affect export demand. Moreover export markets tend to be stricter with regard to product quality, and any negative quality issues may mean serious sanctions being imposed on the seller. The Company has normally been able to pass all quality standards in its major export markets, but there is no assurance that this performance can be sustained in the future.

Price fluctuations may affect the Company's net margins. Normally most of the Company's costs are variable, with fixed costs comprising mainly of salaries and production and logistics assets. Severe reductions in overall prices may therefore adversely affect the Company's net income margins.

### Changes in Consumer Tastes and Preferences

Consumer preferences may change due to a number of factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle, regulatory actions and negative publicity regarding product quality, any of which may affect consumers' perception of and willingness to purchase the Company's products.

### Advertising and Promotions

The Company has begun relying on billboard, radio, participation in sport league, non-traditional ads, print and television (a cooking show) advertising to push its "Fresh Choice Always" brand. Advertising and promotions are important factors for consumer buying choices. Advertising affects consumer awareness of the Company's products by distinguishing it from other fresh produce, some of which are sold unbranded. Sales volumes and revenues may therefore be positively affected by the effectiveness of the Company's branding and advertising campaigns.

## Competition

The Company faces competition from other domestic producers which sell both their own brands and foreign brands.

## Taxes and Regulatory Environment

Most of the Company's revenues which are derived from export activities and agricultural products are not subject to Value-Added Tax (VAT) but are subject to income tax. Currently, VAT is imposed at the rate of 12% which was raised by the Government from 10% 2006. The rate of Corporate Income Tax is at 30% which was reduced by the Government from 32% in 2009. Generally, in the event of an increase in the rate of taxes and in order to minimize the impact thereof on the Company and its shareholders, the Company tries to pass on said taxes to its consumers by raising the prices of its products. However, tax is not the only factor which can influence the prices of the Company's products. Said prices can also be influenced by inflation and other economic conditions in the Philippines. Price changes as a result of these factors can affect the demand for the Company's products as well as the Company's profit margins, product pricing and net income.

## DESCRIPTION OF REVENUE AND COST ITEMS

### Net Sales

The Company generates its net sales primarily from the sale, to both the domestic and export markets, of fresh fruits and vegetables. The Company's net sales are net of VAT and discounts.

The following table presents the Company's net sales for the periods indicated:

**Table 1: Net Sales**

	For the year ended December 31,			
	2008	2009	2010	2011
	<b>₱</b>	<b>₱</b>	<b>₱</b>	<b>₱</b>
Philippines	580,149	793,769	1,184,738	1,548,590
Exports	197,816	223,913	400,274	705,170
Total	777,965	1,017,682	1,585,012	2,253,760

### Cost of Sales

Cost of sales consists of:

- the cost of purchasing fruits and vegetables and raw material from growers and other traders and suppliers;
- depreciation and amortization costs, which relate primarily to the depreciation of production equipment, vehicles, facilities and buildings;
- personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- repairs and maintenance costs relating to production equipment, facilities, vehicles and buildings;
- fuel and oil costs relating to the production and distribution process;

- communications, light and water expenses relating to the Company's distribution and production processes and facilities; and
- other costs of sales, which include miscellaneous expenses such as supplies, rental, insurance and freight expenses.

In 2008, 2009, 2010 and 2011 the Company's cost of sales was ₱643.9million, ₱866 million, ₱ 1.3 billion and P1.7 billion, respectively.

### **Operating Expenses**

The Company's operating expenses consist of selling expenses and administrative expenses. In 2008, 2009, 2010 and 2011, the Company's operating expenses were ₱110.2 million, ₱95 million, ₱ 176.5 million and P198.4 million respectively.

The Company's operating expenses include the following major items:

- delivery expenses
- salaries, wages and other employee benefits
- rental expense
- advertising and promotions expenses
- professional fees
- repairs and maintenance expenses
- taxes and licenses
- transportation and travel expenses
- depreciation and amortization
- other operating and administrative expenses.

### **CRITICAL ACCOUNTING POLICIES**

The Company's significant accounting policies are set out in Note 2 to the Company's financial statements included elsewhere in this Annual Report. The preparation of the Company's audited financial statements requires the Company's management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and the related notes. Actual results may differ from those estimates and assumptions. The Company has identified the following accounting policies as critical to an understanding of its financial condition and results of operations, as the application of these policies requires significant management assumptions and estimates that could result in the reporting of materially different amounts if different assumptions or estimates are used.

### **RESULTS OF OPERATIONS**

#### **Year Ended December 31, 2011 compared to the Year Ended December 31, 2010**

The following comparison of the Company's results of operations is based on the Company's audited financial statements in 2010 and tentative financial statements in 2011.

	For the Year-Ended December 31 (in '000)	
	2010	2011
<b>Net Sales</b>	1,585,012	2,253,760
<b>Cost of Sales</b>	1,314,304	1,734,729
<b>Gross Profit and Gross Margin</b>	270,708	519,031
<b>Operating Expenses</b>	176,493	198,418
<b>Income from Operating Activities</b>	94,215	320,613
<b>Other Income (Charges)</b>	585,744	47,947
<b>Provision for Income Tax</b>	41,237	55,203
<b>Net Income</b>	638,722	217,463

### ***Net Sales***

Net sales increased by 42.19% from ₱1.59 billion in 2010 to ₱ 2.25 billion in 2011 as a result of increase in domestic sales outlets, additional clients and export expansion.

### ***Cost of Sales***

Cost of sales increased by 31.99% from ₱1.31 billion in 2010 to ₱ 1.73 billion in 2011. The cost of sales for 2011 however, is 7% lower/higher than the cost of sales for 2010 in relation to the net sales.

### ***Gross Profit and Gross Margin***

As a result of the factors discussed above, gross profit increased by 91.73% from ₱270.71 million in 2010 to ₱ 519.03 million in 2011. The gross margin represented 24% of the net sales as compared to 17% in 2010.

### ***Operating Expenses***

Operating expenses increased by 12.42% from ₱176.5 million in 2010 to ₱ 198.42 million in 2011 due to increased volume of production and sales.

### ***Income from Operating Activities***

Income from operating activities increased by 240.30% from ₱94.2 million in 2010 to ₱ 320.16 million in 2011. Operating margin also increased from 6% in 2010 to 14% in 2011.

### ***Other Income***

In January 2011, the ANI Group engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. On the report by CBREPI dated 11 March 2011, the value of said trademark amounted to ₱779,000,000.00 as of December 31, 2010. This has resulted in the increase in the value of the trademark amounting to ₱778,815,461.00 and a corresponding increase in revaluation surplus and deferred tax liability amounting to ₱545,170,823.00 and ₱233,644,638.00, respectively, as of December 31, 2010.

### ***Provision for Income Tax***

Provision for income tax increased by 33.87% from ₱41.2 million in 2010 to ₱ 55.2 million in 2011, as a result of the increase in operating income.

### **Net Income**

Net income though decreased by 65.95% from ₱638.72 million in 2010 to ₱ 217.46 million in 2011 resulting mainly from gain on revaluated assets taken-up in 2010 amounting to ₱ 545.17 million .

### **Year Ended December 31, 2010 Compared to Year Ended December 31, 2009**

The following comparison of the Company's results of operations is based on the Company's audited financial statements.

	<b>For the Year-Ended December 31</b> <b>(in '000)</b>	
	<b>2009</b>	<b>2010</b>
<b>Net Sales</b>	1,017,682	1,585,012
<b>Cost of Sales</b>	865,966	1,314,304
<b>Gross Profit and Gross Margin</b>	151,716	270,708
<b>Operating Expenses</b>	95,044	176,493
<b>Income from Operating Activities</b>	56,672	94,215
<b>Other Income (Charges)</b>	(16,293)	585,744
<b>Provision for Income Tax</b>	4,689	41,237
<b>Net Income</b>	35,690	638,722

### **Net Sales**

Net sales increased by 55.75% from ₱1.02 billion in 2009 to ₱1.59 billion in 2010 as a result of increase in domestic sales outlets, additional clients and export expansion.

### **Cost of Sales**

Cost of sales increased by 51.77% from ₱866 million in 2009 to ₱1.31 billion in 2010. The cost of sales for 2010 however, is 2.2% lower than the cost of sales for 2009 in relation to the net sales.

### **Gross Profit and Gross Margin**

As a result of the factors discussed above, gross profit increased by 78.4% from ₱151.7 million in 2009 to ₱270.71 million in 2010. The gross margin represented 17% of the net sales as compared to 15% in 2009.

### **Operating Expenses**

Operating expenses increased by 85.7% from ₱95.0 million in 2009 to ₱176.5 million in 2010 due to increased volume of production and sales.

### **Income from Operating Activities**

Income from operating activities increased by 66% from ₱56.7 million in 2009 to ₱94.2 million in 2010. Operating margin also increased from 5.6% in 2009 to 6% in 2010.

### **Other Income**

In January 2011, the ANI Group engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. On the report by CBREPI dated 11 March 2011, the value of said trademark amounted to ₱779,000,000.00 as of December 31, 2010. This has resulted in the increase in the value of the trademark amounting to



₱778,815,461.00 and a corresponding increase in revaluation surplus and deferred tax liability amounting to ₱545,170,823.00 and ₱233,644,638.00, respectively, as of December 31, 2010.

### ***Provision for Income Tax***

Provision for income tax increased by 879% from ₱4.7 million in 2009 to ₱41.2 million in 2010, largely as a result of the other income from the revaluated assets.

### ***Net Income***

As a result of the foregoing, net income increased by 1,789% from ₱35.7 million in 2009 to ₱638.72 million in 2010.

### **Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

The following comparison of the Company's results of operations is based on the Company's audited financial statements.

	<b>For the Year-Ended December 31 (in '000)</b>	
	<b>2008</b>	<b>2009</b>
<b>Net Sales</b>	778,000	1,017,682
<b>Cost of Sales</b>	643,900	865,966
<b>Gross Profit and Gross Margin</b>	134,000	151,716
<b>Operating Expenses</b>	110,200	95,044
<b>Income from Operating Activities</b>	23,900	56,672
<b>Other Income (Charges)</b>	(10,400)	(16,293)
<b>Provision for Income Tax</b>	4,800	4,689
<b>Net Income</b>	8,700	35,690

### ***Net Sales***

Net sales increased by 30.8% from ₱778.0 million in 2008 to ₱1,017.7 million in 2009, reflecting an increase in domestic sales outlets, additional clients and export expansion.

### ***Cost of Sales***

Cost of sales increased by 34.5% from ₱643.9 million in 2008 to ₱866.0 million in 2009. This increase was primarily the result of the increased volume of production parallel with the increase of sale.

### ***Gross Profit and Gross Margin***

As a result of the factors discussed above, gross profit increased by 13.2% from ₱134.0 million in 2008 to ₱151.7 million in 2009. The gross margin, however, decreased slightly from 17.2% in 2008 to 15% in 2009 mainly due to the overall increase in the volume of sales.

### ***Operating Expenses***

Operating expenses decreased by 13.8% from ₱110.2 million in 2008 to ₱95.0 million in 2009 due to operational efficiency initiated by the management. The table below sets forth the principal components of the operating expenses in the periods indicated.

### ***Income from Operating Activities***

As a result of the foregoing, income from operating activities increased by 137.2% from ₱23.9 million in 2008 to ₱56.7 million in 2009. Operating margin also significantly increased from 3.1% in 2008 to 5.6% in 2009.

### ***Other Expenses***

Other expenses increased by 57.0% from ₱10.4 million in 2008 to ₱16.3 million in 2009. This was primarily due to the increase in finance cost from short-term borrowings to augment working capital and increasing capital expenditures.

### ***Provision for Income Tax***

Provision for income tax decreased by 2.1% from ₱4.8 million in 2008 to ₱4.7 million in 2009, largely as a result of the Net Operating Loss Carry Over (NOLCO) applied in the current year in 2009.

### ***Net Income***

As a result of the foregoing, net income increased by 310.3% from ₱8.7 million in 2008 to ₱35.7 million in 2009.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the years 2008, 2009, 2010 and 2011, the Company's cash flows from operations have been sufficient to provide sufficient cash for the Company's operations and capital expenditures. The Company did not pay dividends in each of 2008, 2009 and 2011. The following table sets out the Company's cash flows in 2008, 2009, 2010 and 2011:

	<b>For the year ended December 31</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>(in thousands of ₱)</b>			
Net cash flows provided by/(used for) operating activities .....	(69,954)	(102,268)	(422,569)	(345,322)
Net cash flows provided by/(used for) investing activities .....	(112,620)	(13,920)	(366,173)	(509,866)
Net cash flows provided by/(used for) financing activities .....	179,907	259,977	710,333	889,991
Net increase (decrease) in cash and cash equivalents .....	<u>(2,667)</u>	<u>143,789</u>	<u>(78,409)</u>	<u>34,703</u>

### **Net Cash Flows from Operating Activities**

Net cash used by operating activities were ₱345,322 million for 2011. The Company's net income before income tax for this period was ₱271.305 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱48.830 million, provision for retirement benefit cost of ₱1.150 million, loss due to natural calamities of ₱21.505 million, bad debts of ₱1.653 million, interest expense of ₱49.951 million resulting in operating cash flows before working capital changes of ₱205.787 million net of gain on fair value of asset of ₱155.456 million, gain on bargain purchase of ₱32.199 million, unrealized foreign exchange gain of ₱0.184 million, gain on sale of equipment of ₱0.125 million and finance income of ₱0.642 million. Aggregate changes in working capital decreased this amount by ₱551.109 million, resulting in cash used by operating activities of ₱345.322 million.

Net cash used by operating activities were ₱422.569 million for 2010. The Company's net income before income tax for this period was ₱134.788 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's property, plant and equipment of ₱17.969 million, provision for retirement benefit cost of ₱0.217, interest expense of ₱16.688 million resulting in operating cash flows before working capital changes of ₱41.360 million. Aggregate changes in working capital decreased this amount to ₱433.127 million, resulting in cash used by operating activities of ₱422.569 million.

Net cash used for operating activities in 2009 were ₱102.3 million. The Company's net income before income tax for this period was ₱40.4 million, and this amount was positively adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱5.4 million, adjustments for provisions for retirement benefits cost of ₱0.2 million, and further adjustments for interest expense of ₱20.3 million and a negative adjustment on interest income of ₱3.8 million coupled with adjustment from prior period of ₱0.37 million. While there are no adjustments for provision for doubtful accounts and inventory obsolescence (the Group did not provide for any allowance for doubtful accounts since the company believes that the entire amount is collectible within the normal credit period.), resulting in operating cash flows before working capital changes of ₱62.2 million. Aggregate working capital changes other items (including interest paid and received and income taxes paid) reduced this amount by ₱162.5 million, resulting in cash used for operations of ₱100.3 million. Income tax payment in the amount of ₱2.0 million is further added to this amount resulting to a net cash used in operating activities of ₱102.3 million.

Net cash flows used in operating activities in 2008 were ₱70.0 million. The Company's net income before income tax for this period was ₱13.5 million, and this amount was adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱4.3 million, adjustments for provisions for retirement benefits cost of ₱0.1 million, and further adjustments for goodwill and interest expense of ₱24.4 million and interest income of P0.04 million resulting in operating cash flows before working capital changes of ₱42.4 million. Aggregate working capital changes and other items (including interest paid and received, and income taxes paid) reduced this amount by ₱112.4 million, resulting in cash used in operations of ₱70.0 million.

Net cash flows used in operating activities in 2007 were ₱106.5 million. The Company's net income before income tax for this period was ₱10.9 million, and this amount was adjusted for, among other things, depreciation and amortization of the Company's plant, property and equipment of ₱2.2 million, adjustments for provisions for retirement benefits cost of ₱0.1 million, and further adjustments for interest expense of ₱2.9 million and interest income of ₱0.02 million with adjustments for unrealized foreign exchange gains of ₱0.3 million resulting in operating cash flows before working capital changes of ₱15.8 million. Aggregate working capital changes and other items (including interest paid and received and income taxes paid) reduced this amount by ₱122.3 million, resulting in cash used in operations of ₱106.5 million.

#### **Net Cash Flows Used in Investing Activities**

Net cash used for investing activities was ₱509.886 million in 2011. This reflects investments in property, plant and equipment and other non-current assets.

Net cash used for investing activities was ₱366.173 million in 2010. This reflects investments in property, plant and equipment and other non-current assets. Net cash used for investing activities was ₱13.9 million in 2009. This primarily reflects investments in property, plant and equipment of ₱17.8 million. Net cash flows used in investing activities were ₱112.6 million in 2008. This primarily reflects additions to property and equipment of ₱92.3 million as well as additional investments in a subsidiary of P17.1 million. Net cash flows used in investing activities were ₱24.3 million in 2007. This primarily reflects additions to property and equipment of ₱23.5 million.

#### **Cash Flows Provided by (Used in) Financing Activities**

Net cash generated from financing activities were ₱888.549 million in 2011 further increased to ₱889.991 million considering the effect of exchange rate changes of P1.382 million. This primarily reflects proceeds from borrowings and issuance of share capital. Net cash provided by financing

activities were ~~₱~~710,333 million, ₱260.0 million, ₱179.9 million and ₱137.6 million in 2010, 2009, 2008 and 2007 respectively. This primarily reflects proceeds and repayment of loans and short-term borrowings together with the receipts from the issuance of share capital and deposits for future subscriptions. No cash dividends were paid in any of these periods.

### Capital Resources

As of December 31, 2011, the Company had cash and cash equivalents of ₱108.480 million. As of the same date, the Company had outstanding short-term debt of ~~₱~~788.278 million.

As of December 31, 2011, the Company had outstanding long-term debt of ₱252.500 million.. As of December 31, 2011, the Company had current assets of ₱1.744 billion and current liabilities of ₱909.397 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱834.774 billion. The Company believes that its working capital is sufficient for its present requirements.

As of December 31, 2010, the Company had cash and cash equivalents of ₱73.776 million. As of the same date, the Company had outstanding short-term debt of ~~₱~~519.442 million.

As of December 31, 2010, the Company had no total outstanding long-term debt. As of December 31, 2010, the Company had current assets of ₱1.091 billion and current liabilities of ₱586.662 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱504.598 million. The Company believes that its working capital is sufficient for its present requirements.

As of 31 December 2009, the Company had cash and cash equivalents of ₱152.2 million. As of the same date, the Company had outstanding current liabilities of ~~₱~~222.9 million.

As of 31 December 2009, the Company had total outstanding long-term debt of ₱0.7 million, in the form of pension liabilities. As of 31 December 2009, the Company had current assets of ₱604.4 million and current liabilities of ₱222.9 million. As of the same date, the Company's working capital (current assets minus current liabilities) was ₱381.5 million. The Company believes that its working capital is sufficient enough for its current requirements.

In the ordinary course of business, the Company makes certain purchase commitments for the procurement of raw materials. As of 31 December 2009 the Company's outstanding purchase commitments were approximately ₱10 million. A significant portion of these purchase commitments is payable within one year. The Company also advanced some amounts in the form of prepayments and deposits to suppliers in order to guarantee purchase obligations.

### Capital Expenditures

The Company has made significant capital expenditures for property and equipment to improve operations, reduce costs and maintain performance of major equipment.

The table below set out the Company's capital expenditures for property and equipment in 2008, 2009, 2010 and 2011. The Company has historically sourced funding for its capital expenditures from bank loan and internally-generated funds.

<u>Year ended December 31,</u>	<u>Expenditure (in thousands)</u>
2008	₱92,338
2009	₱17,813
2010	₱355,921
2011	₱193,558

The Company's budgeted capital expenditures are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditures are subject to various factors, including new product introductions, tolling arrangements and perceived

surges in sales volumes of various products. There can be no assurance that the Company will implement its capital expenditure plans as intended at or below estimated costs.

### Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements. The Company has not, however, entered into any derivative transactions to manage its exposures to currency exchange rates, interest rates and fuel oil prices.

### KEY PERFORMANCE INDICATORS

Following below are the major performance measures that the Company uses. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

	Year ended December 31,		
	2011	2010	2009
Liquidity:			
Current ratio	1.92	1.86	2.71
Solvency:			
Debt-to-equity ratio	0.62	0.52	0.41
Profitability:			
Return on average stockholders' equity of the Company	0.11	0.60	0.10
Operating efficiency:			
Revenue growth	0.42	0.56	0.31

The manner in which the Company calculates its key performance indicators is set out in the table below:

Key Performance Indicator	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-equity ratio	$\frac{\text{Total Liabilities (Current + non-current)}}{\text{Stockholder's Equity}}$
Return on average stockholders' equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity of the Company}}$
Average Stockholders' Equity of the Company	$\frac{\text{Stockholder's Equity, Beg. + Ending}}{2}$

Volume growth	$\left[ \frac{\text{Current period Sales Volume}}{\text{Prior period Sales Volume}} \right] - 1$
Revenue growth	$\left[ \frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$

## Adoption of PFRS/PAS

The accounting policies adopted in the preparation of the Group's consolidated interim financial statements have been consistently applied in all years presented except as stated below.

### *Accounting Standard, Interpretations and Amendment Effective in 2008*

The Company adopted the following relevant standard, amendment and interpretations to existing standards, which are effective for annual periods beginning on or after 01 January 2008:

#### *Philippine Interpretation IFRIC 11, PFRS 2 – Group and Treasury Share Transactions*

This interpretation was effective on 01 January 2008. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instrument of the parent. The Group currently does not have any stock option plan and therefore, this interpretation did not have any impact to its interim financial statements.

#### *Philippine Interpretation IFRIC 12, Service Concession Agreements*

This interpretation was issued in November 2006 and became effective for annual periods beginning on or after 01 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. The Group does not have any service concession arrangements and hence this interpretation does not have any impact to the Group.

#### *Philippine Interpretation IFRIC 14, PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This interpretation was issued in July 2007 and became effective for annual periods beginning on or after 01 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. This interpretation did not have any impact on the financial position of the Group, as it does not have any pension asset.

## **b. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters**

### **d.1. Market Information**

Of the Company's 271,410,867 issued outstanding shares, 240,217,917 common shares are listed and traded principally on the Second Board of the Philippine Stock Exchange (PSE).

Pursuant to its intention to be de-listed from the National Stock Exchange of Australia (NSX), the Company was voluntarily de-listed from the NSX effective on 30 June 2011.

The following is a summary of the trading prices at the PSE for each of the quarterly period beginning 25 May 2009, which is the listing date of the Company in said exchange.

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	n/a	Php25.00	Php18.50	Php34.50	Php27.50	Php17.50	Php18.50	Php18.12
Low	n/a	Php11.00	Php11.50	Php18.50	Php15.75	Php13.25	Php14.00	Php9.98

	2011				2012
	Q1	Q2	Q3	Q4	Q1
High	Php10.50	10	9.4	11.08	13.52
Low	Php7.97	7.32	8.0	8.74	10.32

As of 30 March 2012, the shares of the Company are being traded at the PSE at the average trading price of Php 11.64 per share.

#### **d.2. Holders**

As of 31 March 2012, the Company has a total outstanding common stock of 271,410,867 common shares held by thirty-five (35) individual and corporate stockholders on record.

Based on the Company's stock and transfer book, the stockholders of the Company on record as of 31 March 2012 are as follows:

Name	Nationality	No. of Shares	Percentage of Ownership
1. Ang, Manchan	Filipino	4,000,000	1.4737803%
2. Briones, Leonor M.	Filipino	1	0.0000004%
3. Busmeon, Charlie Y.	Filipino	4,000	0.0014738%
4. Certeza, Claro F.	Filipino	1	0.0000004%
5. Chung Ming Yang	Taiwanese	1,000	0.0003684%
6. Crisostomo, Jose Mariano	Filipino	80,000	0.0294756%
7. Dela Cruz, Cesar	Filipino	1	0.0000004%
8. Duca, Kathy Joy O.	Filipino	500,000	0.1842225%
9. Duca, Mark Kenrich O.	Filipino	2,500,000	0.9211127%
10. Duca, Queenie Jane O.	Filipino	500,000	0.1842225%
11. Gili Jr., Guillermo F.	Filipino	100	0.0000368%
12. Go, Alfonso Y.	Filipino	1	0.0000004%
13. Gomez, Apolinario A.	Filipino	10,000,000	3.6844509%
14. Hong, Zi-You And/Or Li, Yaya	Chinese	1,000,000	0.3684451%
15. Jose A. Ferriols &/Or Eduardo A. Ferriols	Filipino	25,000	0.0092111%
16. Jung Yuan Kuo	Chinese	3,442,950	1.2685380%
17. Li, Kuan Li	Chinese	1,000,000	0.3684451%
18. Lim, Cristino Teodoro C.	Filipino	1	0.0000004%
19. Lim, Nieves Q., &/Or Alexander D. Lim	Filipino	2,200	0.0008106%
20. Limark, Matthew Bryan	Filipino	4,000,000	1.4737803%
21. Lin, Tai-Chuan	Austrian	1,000	0.0003684%
22. M.J Soriano Trading, Inc.	Filipino	100	0.0000368%
23. Man, Thomas	Canadian	150,000	0.0552668%
24. Ngo, Debbie Christie D.	Filipino	500,000	0.1842225%
25. PCD Nominee Corporation (Filipino)	Filipino	66,469,846	24.4904880%
26. PCD Nominee Corporation (Foreign)	Foreign	94,199,933	34.7075023%
27. Sayre, James David	American	1,000	0.0003684%
28. Sia, Dennis	Filipino	1	0.0000004%
29. Southern Field Limited	British Virgin Islands	7,024,798	2.5882523%

<b>30.</b> Sy, Stilwell	Filipino	3,000,000	1.1053353%
<b>31.</b> Tan, Allan Jason	Filipino	100,000	0.0368445%
<b>32.</b> Tiu, Antonio	Filipino	58,408,933	21.5204843%
<b>33.</b> Tiu, Jaime L.	Filipino	2,500,000	0.9211127%
<b>34.</b> Unicorn Metal Corporation	Filipino	12,000,000	4.4213410%
<b>35.</b> Uy, George Y.	Filipino	1	0.0000004%
<b>Total</b>		<b>271,410,867</b>	<b>100.0000000%</b>

As of 31 March 2012, stockholders who are beneficial owners of more than 5% of the outstanding capital stock under the PCD Nominee Corp. are as follows:

Title Of Class	Name, Address Of Record Owner And Relationship With Issuer	Name Of Beneficial Owner And Relationship With Record Owner	Citizenship	No. Of Shares Held	Percentage
Common	PCD Nominee Corp. (Foreign) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City  Stockholder	Standard Chartered Bank [for Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd.]  Beneficial owner	Foreign	76,293,595	28.11%

The shareholdings of all the stockholders do not relate to an acquisition, business combination or other reorganization.

### ***d.3. Dividends***

The Company is authorized to declare and distribute dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares (stock dividends). Dividends declared in the form of cash dividends, stock dividends or property dividends are subject to approval by the Company's Board of Directors. In addition to Board approval, the declaration of stock dividends is also subject to the approval of the Company's shareholders representing at least two-thirds (2/3) of the outstanding capital stock. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares. SEC approval is required before any property or stock dividends can be distributed. While there is no need for SEC approval for distribution of cash dividends, the SEC must be notified within five (5) days from its declaration.

On 16 December 2009, the Board of Directors of the Company approved the declaration of cash dividend of Php0.01 per share to all outstanding shares of the Company as of record date 07 January 2010, payable on 19 January 2010.

On 11 April 2012, the Board of Directors of the Company approved the declaration of 20% stock dividends with the ex-dividend date, record date, and payment date to be determined by the Board of Directors in accordance with the rules and regulations of the SEC and PSE. The stock dividends will be issued from the unissued portion of the resulting increase in the authorized capital stock of the



Company to Php 1,000,000,000.00.<sup>2</sup> The declaration of 20% stock dividends will be submitted for stockholders' approval during the Annual Stockholder's Meeting on 21 May 2012.

#### ***d.4. Recent Issuance of Shares Constituting Exempt Transaction***

Since 18 September 2008 when the Company filed SEC Form 10.1 with the SEC for purposes of notifying the latter of exempt transactions discussed in the Information Statement for the previous years, and as of 29 February 2012, the Company has not claimed any exemption from registration for any transaction/securities considering that all additional shares issued by the Company and listed with the PSE were registered with the SEC pursuant to its Order of Registration and Certificate of Permit to Offer Securities for Sale dated 19 May 2009.

#### ***d.5. Discussion on Compliance with Leading Practice on Corporate Governance***

To measure or determine the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance (the "Manual"), the Company shall establish an evaluation system composed of the following:

- Self-assessment system to be done by Management;
- Yearly certification of the Compliance Officer on the extent of the Company's compliance to the Manual;
- Regular committee report to the Board of Directors; and
- Independent audit mechanism wherein an audit committee, composed of three (3) members of the Board, regularly meets to discuss and evaluate the financial statements before submission to the Board, reviews results of internal and external audits to ensure compliance with accounting standards, tax, legal and other regulatory requirements.

To ensure compliance with the adopted practices and principles on good corporate governance, the Company has designated a Compliance Officer. The Compliance Officer shall: (i) monitor compliance with the provisions and requirements of the Manual; (ii) perform evaluation to examine the Company's level of compliance; and (iii) determine violations of the Manual and recommend penalties for violations thereof for further review and approval by the Board of Directors.

Aside from this, the Company has an established plan of compliance which forms part of the Manual. The plan enumerates the following means to ensure full compliance:

- Establishing the specific duties, responsibilities and functions of the Board of Directors;
- Constituting committees by the Board and identifying each committee's functions;
- Establishing the role of the Corporate Secretary;
- Establishing the role of the external and internal auditors; and
- Instituting penalties in case of violation of any of the provisions of the Manual.

On 28 February 2011, the Company filed its Amended Manual on Corporate Governance with SEC.

On 10 January 2012, the Board of Directors of the Company approved, subject to the ratification/approval of the stockholders during the Annual Stockholders' Meeting on 21 May 2012, the amendment of said Amended Manual on Corporate Governance pursuant to the Investment Agreement with Black River.

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<sup>2</sup> On 16 December 2009, the stockholders of the Company approved the increase in its authorized capital stock from Php300,000,000.00 to Php1,000,000,000.00 consisting of 1,000,000,000 common shares with a par value of Php1.00 per share (the "Increase"). The Company has filed an application for said Increase with the Securities and Exchange Commission (SEC) and, as of 19 April 2012, is awaiting the issuance of the pertinent Certificate of Increase by the SEC. Of the proposed increase in authorized capital stock, 175,000,000 shares with a par value of Php1.00 per share or an aggregate par value of Php175,000,000.00 have been subscribed and fully paid in cash.

***c. Interim Period Reports***

As of the filing of this Information Statement, the Company is in the process of preparing the First Quarter Report for the period ending 31 March 2012 which is due forty-five (45) days from 31 March 2011 or on 15 May 2012.

**11. Mergers, Consolidations, Acquisitions and Similar Matters**

At present, ANI has no definitive plans to merge and consolidate with another company or to sell or transfer any substantial part of its assets and to liquidate or dissolve the Company.

On 13 January 2012, the Board of Directors of the Company passed a resolution authorizing its President and Chief Executive Officer, Antonio L. Tiu, to negotiate the possible acquisition of farms, office building, depot and retail business/es under such terms and conditions and for such amount as may be in the best interest of the Corporation. The authority given by the Board of Directors to Antonio L. Tiu is limited only to negotiations with companies and/or other entities engaged in the business similar and/or related to that of the Company to explore the possibility of acquiring the same. The results of the negotiations are still subject to the approval of the Board of Directors and stockholders, if necessary. There are no definite and binding agreements with any company and/or other business entity yet. Therefore, this will not yet trigger the appraisal right provided by the Corporation Code to the Company's stockholders.

**12. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to the acquisition or disposition of any property by the Company.

**13. Restatement of Accounts**

The Company's accounting policies adopted are consistent with those of the previous fiscal year.

## OTHER MATTERS

### 14. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting

The following reports, copies of which will be duly furnished to stockholders without charge, will be submitted for stockholders approval and/or ratification at the Annual Meeting of Stockholders on 21 May 2012:

- a. The Audited Financial Statements for the year ending 31 December 2011;
- b. Annual Report for the year ending 31 December 2011; and
- c. Minutes of the previous Annual Meeting of Stockholders held on 16 May 2011.

Approval of the Annual Report and the Audited Financial Statements for the year ending 31 December 2011 constitutes ratification by the stockholders of the Company's performance for 2011.

The matters approved and acted upon by the Board of Directors of the Company after the shareholders meeting on 16 May 2011 which are to be ratified by the stockholders are the following:

Nature of Meeting	Matters Approved
Meeting of the Board of Directors held on 10 January 2012	<ol style="list-style-type: none"> <li>1. The amendment of the Amended Manual on Corporate Governance pursuant to the Investment Agreement;</li> <li>2. The creation of a sinking fund pursuant to the Investment Agreement instead of taking out a liability insurance in favour of the directors and officers of the Company, and the annual earmarking of a certain amount to be contributed to said sinking fund in such an amount as may be determined by the Board of Directors;</li> <li>3. The amendment of the Sixth Article of the Amended Articles of Incorporation pursuant to the Investment Agreement for the purpose of specifying that three (3) out of the eleven (11) directors of the Company shall be independent directors;</li> <li>4. The amendment of Articles II, III, IV and VII of the Amended By-laws pursuant to the Investment Agreement for the following purposes: <ol style="list-style-type: none"> <li>a. Requiring the approval of (i) stockholders representing at least 75% of the outstanding capital stock of the Corporation and (ii) at least 75% of the members of the board of directors for the following actions: <ol style="list-style-type: none"> <li>i. any change to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital;</li> <li>ii. any changes in the stock option plan of the Corporation;</li> <li>iii. any amendment of the articles of incorporation or by-laws of the Corporation; and</li> </ol> </li> </ol> </li> </ol>

	<p>iv. a change in the number of the Corporation's directors.</p> <p>b. Requiring the approval of at least 70% of the members of the board of directors for the following actions:</p> <p>i. any material change to the existing business of the Corporation or its subsidiaries and commencement of a material business that is not ancillary or incidental to the existing business of the corporation or its subsidiaries, with the exception of actions or resolutions relating to or necessary to implement any material business which was initiated or established prior to 30 September 2011;</p> <p>ii. the approval of any amendment, waiver or consent of the corporation with respect to the executive service agreements, including the written approval of the corporation to permit key management to accept any new directorships;</p> <p>iii. the sale or disposition of all or a material part of the business of the Corporation and/or its subsidiaries; for purposes of this section "material" shall mean equivalent in value to more than 5% of the value of the Corporation's assets, as stated in its latest audited financial statements;</p> <p>iv. incurring capital expenditures outside the business plan of more than the equivalent of US\$1,000,000 per annum; and</p> <p>v. the sale or purchase of assets valued at more than the equivalent of US\$1,000,000.</p> <p>c. Indicating that out of the eleven (11) directors, three (3) directors shall be independent, while three (3) directors shall be nominees of Black River or its successors or permitted assigns; provided that Black River owns at least 76,293,595 common shares and at least 125,486,095 common shares after the completion of its subscription for 49,192,500 new common shares of the Company, provided that, in the event that new common shares are issued by the Company, which would result in the dilution of Black River's shareholdings, the agreement of the Company and Black River to amend the foregoing shall prevail; and</p> <p>d. Indicating that the corporation shall indemnify and hold the its directors and president/CEO free and harmless from any and all liabilities, claims, causes of action, damages, cause or demands of whatever nature, character, type or description, in connection with, arising from, or in relation to the performance of their obligations, functions or responsibilities as directors of the corporation. For this purpose, a sinking fund shall be created in favour of the directors and officers of the Company, and a certain amount shall be earmarked annually to be contributed to said sinking fund in such an amount as may be determined by the Board of Directors.</p>															
Meeting of the Board of Directors held on 13 January 2012	<p>1. The issuance of 175 Million shares out of the proposed increase in the Authorized Capital Stock of the Company to Black River and Earthright, broken down as follows:</p> <table><tr><th>Name</th><th>Nation-ality</th><th>Number of Shares</th><th>Amount Subscribed</th><th>Amount Paid-Up</th></tr><tr><td>Earthright</td><td>Filipino</td><td>125,807,500</td><td>125,807,500.00</td><td>125,807,500.00</td></tr><tr><td>Black</td><td>Foreign</td><td>49,192,500</td><td>49,192,500.00</td><td>49,192,500.00</td></tr></table>	Name	Nation-ality	Number of Shares	Amount Subscribed	Amount Paid-Up	Earthright	Filipino	125,807,500	125,807,500.00	125,807,500.00	Black	Foreign	49,192,500	49,192,500.00	49,192,500.00
Name	Nation-ality	Number of Shares	Amount Subscribed	Amount Paid-Up												
Earthright	Filipino	125,807,500	125,807,500.00	125,807,500.00												
Black	Foreign	49,192,500	49,192,500.00	49,192,500.00												

	River			
	<b>TOTAL</b>	175,000,000	175,000,000.00	175,000,000.00
	2. Listing of the above-described shares of Black River and Earthright in the PSE.			
Meeting of the Board of Directors held on 11 April 2012	1. Declaration of 20% stock dividends, with the ex-dividend date, record date and payment date to be determined by the Board of Directors in accordance with the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange.			

### 15. Matters Not Required to be Submitted

Aside from the matters mentioned in Item 15 above, there are no other act of management and the Board of Directors in the preceding year that needs the approval of the stockholders.

Ratification of acts of management and of the Board of Directors referred to in the Notice of Annual Meeting refers only to acts done in the ordinary course of business and operation of the Company and/or pursuant to the previous authority given by the stockholders, some of which have been duly disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of stockholders of the Company.

<b>Nature of Meeting</b>	<b>Matters Approved</b>
Meeting of the Board of Directors on 27 July 2011	<p>1. Corporate reorganization ANI Group in order to consolidate all the distribution and trading activities under First Class Agriculture Corporation (FCA) and consolidate all its farming activities under another subsidiary through Best Choice Harvest Agricultural Corp. (BCH).</p> <p>2. Pursuant to the plan of corporate reorganization, the execution of a Share Exchange and Reorganization Agreement whereby (i) ANI shall assign, transfer and convey to FCA all its title, rights and interest in and to all its shares of stock in Lucky Fruit &amp; Vegetable Products, Inc. (another company under the ANI Group) and (ii) FCA shall assign, transfer and convey to ANI all its title, rights and interest in and to all its shares of stock in BCH;</p>
Meeting of the Board of Directors on 19 August 2011	1. The execution of a Memorandum of Agreement whereby ANI shall acquire one thousand twenty (1,020) shares in The Big Chill, Inc. (TBC) for and in consideration of P20,000,000.00, which shares represent 51% of the outstanding capital stock of TBC.
Meeting of the Board of Directors on 29 December 2011	1. The execution of an Investment Agreement as well as the transaction and/or implementing documents with, among others, Black River Capital Partners Food Fund Holdings (Singapore), Pte. Ltd. ("Black River"), a wholly-owned subsidiary of Black River Capital Partners Fund (Food), LP.
Meeting of the Board of Directors held on 13 January 2012	<p>1. Creation of the Committee of Senior Advisers.</p> <p>2. Stock Option Plan to key officers and employees of the Corporation pursuant to the Investment Agreement.</p>

## **16. Amendment of Charter, By-Laws or Other Documents**

Subject to the ratification/approval of the stockholders during the Annual Stockholders' Meeting on 21 May 2012, the Company intends to amend the Sixth Article of its Amended Articles of Incorporation pursuant to the Investment Agreement for the following purpose:

- a. The amendment of the Amended Articles of Incorporation pursuant to the Investment Agreement for the purpose of specifying that three (3) out of the eleven (11) directors of the Company shall be independent directors;

Subject to the ratification/approval of the stockholders during the Annual Stockholders' Meeting on 21 May 2012, the Company intends to amend Articles II, III, IV and VII of the Amended By-laws pursuant to the Investment Agreement for the following purposes:

- a. Requiring the approval of (i) stockholders representing at least 75% of the outstanding capital stock of the Corporation and (ii) at least 75% of the members of the board of directors for the following actions:

- i. any change to the capital stock of the Corporation, including (but not limited to): (A) the issuance of equity securities, or securities or other instruments convertible into equity securities, by the Corporation; or (B) the issue or grant of additional shares or rights of subscription, conversion or exchange in respect of shares in the Corporation's capital stock; or (C) undertaking any share split, share subdivision or any other kind of restructuring of the Corporation's share or loan capital;
- ii. any changes in the stock option plan of the Corporation;
- iii. any amendment of the articles of incorporation or by-laws of the Corporation; and
- iv. a change in the number of the Corporation's directors.

- b. Requiring the approval of at least 70% of the members of the board of directors for the following actions:

- i. any material change to the existing business of the Corporation or its subsidiaries and commencement of a material business that is not ancillary or incidental to the existing business of the corporation or its subsidiaries, with the exception of actions or resolutions relating to or necessary to implement any material business which was initiated or established prior to 30 September 2011;
- ii. the approval of any amendment, waiver or consent of the corporation with respect to the executive service agreements, including the written approval of the corporation to permit key management to accept any new directorships;
- iii. the sale or disposition of all or a material part of the business of the Corporation and/or its subsidiaries; for purposes of this section "material" shall mean equivalent in value to more than 5% of the value of the Corporation's assets, as stated in its latest audited financial statements;
- iv. incurring capital expenditures outside the business plan of more than the equivalent of US\$1,000,000 per annum; and
- v. the sale or purchase of assets valued at more than the equivalent of US\$1,000,000.

c. Indicating that out of the eleven (11) directors, three (3) directors shall be independent, while three (3) directors shall be nominees of Black River or its successors or permitted assigns; provided that Black River owns at least 76,293,595 common shares and at least 125,486,095 common shares after the completion of its subscription for 49,192,500 new common shares of the Company, provided that, in the event that new common shares are issued by the Company, which would result in the dilution of Black River's shareholdings, the agreement of the Company and Black River to amend the foregoing shall prevail; and

d. Indicating that the corporation shall indemnify and hold the its directors and president/CEO free and harmless from any and all liabilities, claims, causes of action, damages, cause or demands of whatever nature, character, type or description, in connection with, arising from, or in relation to the performance of their obligations, functions or responsibilities as directors of the corporation. For this purpose, a sinking fund shall be created in favour of the directors and officers of the Company, and a certain amount shall be earmarked annually to be contributed to said sinking fund in such an amount as may be determined by the Board of Directors.

Subject to the ratification/approval of the stockholders during the Annual Stockholders' Meeting on 21 May 2012, the Company intends to amend its Amended Manual on Corporate Governance pursuant to the Investment Agreement.

## **17. Other Proposed Action**

Not applicable. To date, no definitive arrangements or agreements have been executed or entered into by the Company in relation to other proposed action.

## **18. Voting Procedures**

- (a) For the approval or ratification of the reports and acts of the Board of Directors and Management in Items No. 15 and 16, respectively, the vote of stockholders present in person or by proxy representing at least a majority of the total outstanding capital stock entitled to vote shall be required.

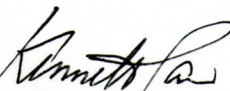
During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show of hands, the election shall be done by a show of hands. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the By-Laws, in his own name on the stock books of the Company, or where the By-Laws is silent, at the time of election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected; Provided, however, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders called for an election may adjourn from day to day or from time to time but not *sine die* or indefinitely if, for no reason, no election is held, or if there be not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock.

- (b) The votes shall be duly taken and counted by the Corporate Secretary.

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 20 April 2012.

By:



**KENNETH S. TAN**

Chief Information Officer  
and Compliance Officer



**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

Consolidated Financial Statements  
For the years ended December 31, 2011, 2010 and 2009



## AgriNurture, Inc.

54 National Road, Dampol 2<sup>nd</sup> A, Pulilan, Bulacan 3005, Philippines  
Telefax: (632)299.8305 • [www.ani.com.ph](http://www.ani.com.ph)  
Manila Office: (632) 879.3256 • Fax (632) 879.3215



### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of AgriNurture Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Alba Romeo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANTONIO L. TIU  
Chairman of the Board

ANTONIO L. TIU  
Chief Executive Officer

DENNIS S. SIA  
VP Finance/Chief Financial Officer

Signed this 11<sup>th</sup> day of April 2012.


REPUBLIC OF THE PHILIPPINES}  
MAKATI CITY, METRO MANILA} S.S.

**SUBSCRIBED AND SWORN TO** before me in Makati City, Philippines on the 11<sup>th</sup> day of April 2012  
affiants exhibiting to me the following competent evidence of their identity:

NAMES	GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Antonio L. Tiu	Passport No. EB4436922	11 January 2012	DFA Manila
Dennis Sia	Passport No. EB3958327	27 October 2011	DFA Manila

WITNESS MY AND SEAL.

Doc No. 386 ;  
Page No. 79 ;  
Book No. 1 ;  
Series of 2012.

  
**ATTY. JENNIFER T. ONG**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2012  
ROLL OF ATTORNEY NO. 55458  
IBP LIFETIME MEMBER NO. 852820  
PTR NO. 3180460/01-05-12/MAKATI CITY  
NOTARIAL COMMISSION NO. M-555  
TIN 919-468-314  
MCLE COMPLIANCE NO. III-0008496



**ALBA ROMEO & CO.**

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6805 Ayala Avenue, Makati City 1226 Philippines  
Branches: Bacolod/Cagayan de Oro/ Cebu

## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
AgriNurture Inc. and its Subsidiaries  
No. 54 National Road, Dampol II-A  
Pulilan, Bulacan

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of AgriNurture Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AgriNurture Inc. and its Subsidiaries as at December 31, 2011 and 2010, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011, 2010 and 2009 in accordance with Philippine Financial Reporting Standards.

**ALBA ROMEO & CO.**



Michael D. Roxas  
Partner

CPA Certificate No. 0108714

Tax Identification No. 300-647-353

PTR No. 0040428, issued on January 13, 2012, Makati City

BOA /PRC Registration No. 0005, issued on March 23, 2010, effective until December 31, 2012

SEC Accreditation No. A-515-A (Individual), Group A, issued on February 2, 2012,  
effective until June 2, 2012

SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012,  
effective until March 21, 2015

BIR Accreditation No. 08-005267-1-2011, issued on March 29, 2011, effective until March 29, 2014

April 11, 2012

Makati City, Philippines

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2011 AND 2010**

	Notes	2011	2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in banks	7	P108,479,707	P73,776,402
Trade and other receivables, net	8	657,816,762	298,763,491
Note receivable	18	58,000,000	58,000,000
Advances to related parties	18	17,530,521	41,756,983
Inventories	9	155,442,289	77,536,576
Biological assets	11	626,470,470	431,085,173
Advances to projects	12	88,848,343	64,255,063
Prepayments and other current assets	10	31,582,396	22,333,163
<b>Total current assets</b>		<b>1,744,170,488</b>	<b>1,067,506,851</b>
<b>Noncurrent assets</b>			
Biological assets	11	71,379,585	23,774,350
Advances to projects	12	261,758,011	-
Property, plant and equipment, net	13	652,428,349	521,670,051
Deferred tax assets	29	2,090,807	1,249,848
Intangibles assets, net	14	1,018,682,537	809,521,267
Other noncurrent assets		10,527,137	541,651
<b>Total noncurrent assets</b>		<b>2,016,866,426</b>	<b>1,356,757,167</b>
<b>Total assets</b>		<b>P3,761,036,914</b>	<b>P2,424,264,018</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	15	P788,278,447	P519,442,200
Trade and other payables	16	110,739,286	53,698,096
Advances from related parties	18	289,837	215,208
Income tax payable		9,534,836	12,329,700
Other current liabilities		554,345	976,789
<b>Total current liabilities</b>		<b>909,396,751</b>	<b>586,661,993</b>
<b>Noncurrent liabilities</b>			
Interest-bearing loans and borrowings, net of current portion	15	252,500,000	-
Pension liability	17	2,100,908	950,645
Deferred tax liabilities	29	281,348,575	251,458,746
<b>Total noncurrent liabilities</b>		<b>535,949,483</b>	<b>252,409,391</b>
<b>Total liabilities</b>		<b>1,445,346,234</b>	<b>839,071,384</b>
<b>Equity</b>			
Equity attributable to owners of the Parent Company			
Share capital	19	261,060,867	217,993,119
Share premium	20	999,647,940	675,502,960
Revaluation surplus	20	545,170,823	545,170,823
Translation reserve	20	694,595	-
Retained earnings			
Appropriated	20	-	19,000,000
Unappropriated	20	332,810,373	119,958,011
		<b>2,139,384,598</b>	<b>1,577,624,913</b>
Non-controlling interests	21	176,306,082	7,567,721
<b>Total equity</b>		<b>2,315,690,680</b>	<b>1,585,192,634</b>
<b>Total liabilities and equity</b>		<b>P3,761,036,914</b>	<b>P2,424,264,018</b>

*(The notes on pages 6 to 76 are integral part of these consolidated financial statements.)*

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**

	Notes	2011	2010	2009
<b>Revenue</b>	<b>23</b>	<b>P2,253,760,239</b>	P1,585,011,759	P1,017,682,209
Cost of sales and services	<b>24</b>	<b>(1,734,728,854)</b>	(1,314,304,215)	(865,966,271)
<b>Gross profit</b>		<b>519,031,385</b>	270,707,544	151,715,938
Other operating income	<b>25</b>	<b>193,709,918</b>	59,690,201	213,616
Operating expenses	<b>26</b>	<b>(368,970,035)</b>	(173,277,511)	(95,043,893)
Other operating expenses	<b>27</b>	<b>(23,157,766)</b>	(5,739,650)	(4,126)
<b>Profit from operation</b>		<b>320,613,502</b>	151,380,584	56,881,535
Finance income	<b>7</b>	<b>642,087</b>	95,032	3,837,569
Finance costs	<b>15</b>	<b>(49,950,841)</b>	(16,687,620)	(20,340,457)
<b>Profit before income tax</b>		<b>271,304,748</b>	134,787,996	40,378,647
Provision for income tax	<b>29</b>	<b>(55,203,374)</b>	(41,236,531)	(4,688,680)
<b>Profit for the year</b>		<b>P216,101,374</b>	P93,551,465	P35,689,967
<b>Profit for the year attributable to:</b>				
Equity holders of Parent Company		<b>P193,852,362</b>	P90,813,545	P35,689,967
Non-controlling interest		<b>22,249,012</b>	2,737,920	-
		<b>P216,101,374</b>	P93,551,465	P35,689,967
<b>Basic and diluted earnings per share</b>	<b>22</b>	<b>P0.81</b>	P0.45	P0.20

*(The notes on pages 6 to 76 are integral part of these consolidated financial statements.)*

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**

	Notes	2011	2010	2009
<b>Profit for the year</b>		<b><u>P216,101,374</u></b>	<b><u>P93,551,465</u></b>	<b><u>P35,689,967</u></b>
<b>Other comprehensive income</b>				
Net change differences from translation to presentation currency		<b>1,361,950</b>	-	-
Gain in change of fair value of trademark	14	<b>-</b>	<b>545,170,823</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b><u>1,361,950</u></b>	<b><u>545,170,823</u></b>	<b><u>-</u></b>
<b>Total comprehensive income for the year</b>		<b><u><u>P217,463,324</u></u></b>	<b><u><u>P638,722,288</u></u></b>	<b><u><u>P35,689,967</u></u></b>
<b>Total comprehensive income for the year attributable to:</b>				
Equity holders of Parent Company		<b>P194,546,957</b>	P635,984,368	P35,689,967
Non-controlling interest		<b><u>22,916,367</u></b>	<b><u>2,737,920</u></b>	<b><u>-</u></b>
		<b><u><u>P217,463,324</u></u></b>	<b><u><u>P638,722,288</u></u></b>	<b><u><u>P35,689,967</u></u></b>

*(The notes on pages 6 to 76 are integral part of these consolidated financial statements.)*



**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**

	Share capital (Note 19)	Share premium (Note 20)	Revaluation surplus (Notes 14 and 20)	Translation reserve (Note 20)	Retained earnings		Total equity attributable to equity holders of the Parent Company	Non-controlling interest (Note 21)	Total
					Appropriated (Note 20)	Unappropriated (Note 20)			
<b>At January 1, 2009</b>	P178,536,602	P-	P-	P-	P19,000,000	(P6,700,039)	P190,836,563	P-	P190,836,563
Profit for the year	-	-	-	-	-	35,689,967	35,689,967	-	35,689,967
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	35,689,967	35,689,967	-	35,689,967
Prior period adjustments	-	-	-	-	-	(368,423)	(368,423)	-	(368,423)
Issuance of common shares	13,331,843	306,832,220	-	-	-	-	320,164,063	-	320,164,063
<b>At December 31, 2009</b>	191,868,445	306,832,220	-	-	19,000,000	28,621,505	546,322,170	-	546,322,170
Profit for the year	-	-	-	-	-	90,813,545	90,813,545	2,737,920	93,551,465
Other comprehensive income	-	-	545,170,823	-	-	-	545,170,823	-	545,170,823
Total comprehensive income	-	-	545,170,823	-	-	90,813,545	635,984,368	2,737,920	638,722,288
Prior period adjustments	-	-	-	-	-	522,961	522,961	-	522,961
Issuance of common shares	26,124,674	368,670,740	-	-	-	-	394,795,414	-	394,795,414
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	4,829,801	4,829,801
<b>At December 31, 2010</b>	217,993,119	675,502,960	545,170,823	-	19,000,000	119,958,011	1,577,624,913	7,567,721	1,585,192,634
Profit for the year	-	-	-	-	-	193,852,362	193,852,362	22,249,012	216,101,374
Other comprehensive income	-	-	-	694,595	-	-	694,595	667,355	1,361,950
Total comprehensive income	-	-	-	694,595	-	193,852,362	194,546,957	22,916,367	217,463,324
Issuance of common shares	43,067,748	324,144,980	-	-	-	-	367,212,728	-	367,212,728
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	97,079,994	97,079,994
Post-acquisition investment of non-controlling interest	-	-	-	-	-	-	-	48,742,000	48,742,000
Reversal of appropriated retained earnings	-	-	-	-	(19,000,000)	19,000,000	-	-	-
<b>At December 31, 2011</b>	<b>P261,060,867</b>	<b>P999,647,940</b>	<b>P545,170,823</b>	<b>P694,595</b>	<b>P-</b>	<b>P332,810,373</b>	<b>P2,139,384,598</b>	<b>P176,306,082</b>	<b>P2,315,690,680</b>

*(The notes on pages 6 to 76 are integral part of these consolidated financial statements.)*

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009**

	Notes	2011	2010	2009
<b>Cash flows from operating activities</b>				
Profit before income tax		P271,304,748	P134,787,996	P40,378,647
Adjustments for:				
Depreciation and amortization	13,14,26	48,829,728	17,969,124	5,431,998
Pension	17,26	1,150,263	217,430	207,921
Loss due to natural calamities	27	21,504,832	-	-
Impairment loss on trade and other receivables	8,27	1,652,934	3,215,517	-
Gain on changes in fair value of biological assets	11,25	(155,456,374)	(131,945,846)	-
Gain on bargain purchase	25,30	(32,198,522)	-	-
Unrealized foreign exchange gain	25	(183,945)	-	-
Gain on sale of property, plant and equipment	25	(125,000)	-	-
Prior period adjustments		-	522,961	(368,423)
Finance cost	15	49,950,841	16,687,620	20,340,457
Finance income	7	(642,087)	(95,032)	(3,837,569)
Operating income before working capital changes		205,787,418	41,359,770	62,153,031
Decrease (increase) in:				
Trade and other receivables		(362,746,288)	25,351,627	(18,735,175)
Advances to related parties		24,226,462	8,942,982	(45,517,040)
Inventories		325,006,082	48,499,171	(3,599,246)
Advances to projects		(541,139,755)	(333,756,318)	(21,414,654)
Prepayments and other current assets		(15,509,742)	(13,595,473)	(5,806,260)
Increase (decrease) in:				
Trade and other payables		76,590,018	(166,579,115)	(39,326,745)
Advances from related parties		16,289,072	(2,967,019)	(11,470,457)
Other current liabilities		(422,444)	976,788	-
Cash used in operations		(271,919,177)	(391,767,587)	(83,716,546)
Finance costs paid	15	(45,215,140)	(16,687,620)	(20,340,457)
Finance income received	7	642,087	95,032	3,837,569
Income taxes paid		(28,829,567)	(14,209,024)	(2,048,605)
<b>Net cash used in operating activities</b>		<b>(345,321,797)</b>	<b>(422,569,199)</b>	<b>(102,268,039)</b>
<b>Cash flows from investing activities</b>				
Increase in advances to projects		(261,758,011)	-	-
Acquisition of subsidiaries		(35,336,527)	(9,144,016)	-
Proceeds from sale of property, plant and equipment		125,000	-	-
Additions of property plant and equipment	13	(193,558,405)	(355,921,170)	(17,813,327)
Acquisition of intangible assets	14	(9,372,394)	(598,080)	-
Decrease (increase) in other noncurrent assets		(9,985,486)	(510,150)	3,892,961
<b>Net cash used in investing activities</b>		<b>(509,885,823)</b>	<b>(366,173,416)</b>	<b>(13,920,366)</b>
<b>Cash flows from financing activities</b>				
Proceeds from interest-bearing loans		1,040,778,447	519,442,200	(15,680,391)
Payments of interest-bearing loans		(519,442,200)	(166,734,989)	(44,506,396)
Proceeds from issuance of share capital		367,212,728	357,625,414	320,164,063
<b>Net cash provided by financing activities</b>		<b>888,548,975</b>	<b>710,332,625</b>	<b>259,977,276</b>
Effect of exchange rate changes in cash on hand and in banks		1,361,950	-	-
<b>Net increase (decrease) in cash on hand and in banks</b>		<b>34,703,305</b>	<b>(78,409,990)</b>	<b>143,788,871</b>
<b>Cash on hand and in banks</b>				
January 1		73,776,402	152,186,392	8,397,521
December 31		P108,479,707	P73,776,402	P152,186,392
<b>Information on significant non-cash transactions</b>				
Inventories	11,24	(P407,507,485)	P-	P-
Biological assets	11	(109,038,990)	(395,479,162)	-
Advances to projects	11,12	516,546,475	395,479,162	-
		P-	P-	P-

*(The notes on pages 6 to 76 are integral part of these consolidated financial statements.)*

**AGRINURTURE, INC. AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2011 AND 2010**  
**AND FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009**

**NOTE 1 - CORPORATE INFORMATION**

AgriNurture, Inc. (the Parent Company) and its Subsidiaries (collectively referred herein as the Group) were incorporated under the laws of the Republic of the Philippines, except for two subsidiaries which were incorporated in China and in Hong Kong Special Administrative Region.

The Parent Company was incorporated in the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 with Registration No. 0199701848 to carry on the business of manufacturing, producing, growing, buying, selling, distributing, marketing at wholesale only insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or in representative capacity as manufacturer's representative, upon consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial.

On March 30, 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

At present, the Parent Company is engaged primarily in the trading and exporting of commercial crops with the Philippine carabao mangoes, bananas and pineapple as the top exported items. Other crops include papaya and tamarind, which are sold worldwide.

On August 8, 2011, the SEC approved the amendment of the Parent Company's Articles of Incorporation to include "retail" in its primary purpose and an increase in the number of Board of Directors (BOD) members from nine (9) to eleven (11).

The Parent Company's registered business address is at Unit 30A Washington Tower, The Asiaworld City, Macapagal Ave., Paranaque City. The Parent Company's principal office address is at 54 National Road Dampol II-A, Pulilan, Bulacan.

The principal subsidiaries of the Parent Company, all of which have been included in these consolidated financial statements, are as follows:

	Country of incorporation	Principal activity	Percentage of ownership		
			2011	2010	2009
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Manufacturing and export	100%	100%	100%
Hansung Agro Products Corporation (HAPC)	Philippines	Processing (Agricultural goods)	100%	100%	-
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	100%	100%	100%
Fresh and Green Harvest Agricultural Company, Inc. (FG) <sup>1</sup>	Philippines	Trading (Agricultural goods)	100%	100%	100%
Lucky Fruit & Vegetable Products, Inc. (LFVPI) <sup>1</sup>	Philippines	Trading (Agricultural goods)	100%	100%	100%
Fruitilicious Company, Inc. (FI)	Philippines	Manufacturing/processing/trading frozen agricultural products	90%	90%	90%
Xiamen Waintaixing Trading Corp. (WTC)	China	Trading (Agricultural goods)	51%	51%	-
Sunshine Supplies International Co., Ltd (SSIC)	China	Trading (Agricultural goods)	51%	51%	-
Qualis Logistics and Transport Services Inc. (QLTS)	Philippines	Logistics	51%	51%	-
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (Agricultural goods)	51%	51%	-
Ocean Biochemistry Technology Research, Inc. (OBT) <sup>2</sup>	Philippines	Farm management	51%	51%	51%
Fresh and Green Palawan Agriventure, Inc. (FGP) <sup>3</sup>	Philippines	Farm management	51%	51%	51%
The Big Chill, Inc. (TBC)	Philippines	Food and beverage retailing and franchising	51%	-	-

<sup>1</sup> Indirectly owned through FCAC

<sup>2</sup> Indirectly owned through IMEX

<sup>3</sup> Indirectly owned through BCHAC

### Status of operations

On January 17, 2011, The Parent Company entered into a Master License Agreement with Tully's Coffee International Pte. Ltd., a Singaporean Corporation for the operation of coffee shop and sale of coffee products under the brand "Tullys". During 2011, the Parent Company through The Big Chill, Inc. (TBC) opened its first coffee shop under the brand Tully's.

On August 19, 2011, the Parent Company's BOD authorized the President and CEO to enter into a Memorandum of Agreement for the acquisition of TBC, a corporation engaged in the business of selling beverages and food products under the brand "Big Chill", "Fresh Bar", "C.Verde", "Canefussion" with 40 branches nationwide. On the same date, the Parent Company entered into a Memorandum of Agreement with FAB People, Inc. (FAB), a domestic corporation, owner of 2,000 shares of TBC for the purchase of 51% of the latter's issued and outstanding shares (1,020 shares). On September 5, 2011, the Parent Company and FAB entered into a Deed of Assignments for 51% of the issued and outstanding shares of TBC.

On October 11, 2010, the Parent Company's BOD approved the execution of the Memoranda of Agreement pertaining to the Parent Company's acquisition of 51% of SSIC and WTC. Under these agreements, in exchange for fifty-one percent (51%) equity ownership of SSIC and WTC, the Parent Company shall pay, on installment, 5,100 shares of SSIC for US\$1 million and 255,000 shares WTC for US\$1.5 million.

### **Compliance listing of securities with a foreign stock exchange - the National Stock Exchange of Australia (NSX)**

On January 09, 2009, the Parent Company's application for compliance listing with the NSX has been approved with its Chess Depository Instruments being listed and have subsequently been traded.

On April 20, 2010, the BOD approved the delisting of the Parent Company from NSX which took place on June 30, 2011.

### **Initial listing of securities with a local stock exchange - the Philippine Stock Exchange, Inc. (PSE)**

On April 15, 2009, the PSE has approved the application of the Parent Company's initial listing by way of introduction of 178,536,602 common shares, with par value of one Peso (P1) per share, in the Second Board of the PSE at an opening price based on the closing price of the Parent Company's shares in the NSX on the trading day immediately preceding the listing date subject to the compliance by the Parent Company with all the requirements set forth by the PSE.

Listing by way of introduction is a listing process that does not involve a public offering of the Parent Company's securities.

### **Approval of consolidated financial statements**

The Group's consolidated financial statements as of December 31, 2011 were authorized for issue by the BOD on April 11, 2012 and that the President and Chief Executive Officer was authorized to sign and approve the consolidated financial statements on their behalf.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### *Statement of compliance*

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### *Basis of measurement and presentation*

The Group's consolidated financial statements have been prepared on historical cost basis except for biological assets that have been measured at fair value less estimated point of sale costs and trademark measured at fair value.

The consolidated financial statements are prepared in Philippine Peso (P), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

### *Use of judgments and estimates*

The preparation of the consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the Group's consolidated financial statements and their effects are disclosed in Note 3.

### *Changes in accounting policies and disclosures*

#### a. New standards, interpretations and amendments effective from January 1, 2011

The accounting policies adopted are consistent with those of the previous financial year except for the following new standards, amendments and interpretations effective for the first time from January 1, 2011 of which none have had a material effect on the Group's consolidated financial statements:

- PAS 24 (Revised) Related Party Disclosures effective January 1, 2011
- Amendment to PAS 32: Classification of Rights Issues effective February 1, 2010
- Amendment to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement effective January 1, 2011
- Philippine Interpretation IFRIC-19, Extinguishing Financial Liabilities with Equity Instruments effective July 1, 2010
- Improvements to PFRSs (Approved in 2010) effective July 1, 2010 or January 1, 2011

The adoption of the standards or interpretations is described below:

- **PAS 24 (Revised) Related Party Disclosures:** The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The adoption by the Group of the revised standard did not have any material impact on its financial position or performance.
- **Amendment to PAS 32 Financial Instruments: Presentation - Classification of Rights Issues:** The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment did not have any impact on the Group after initial application as the Group currently does not have any issued warrants that remain unexercised as of December 31, 2011 (Note 19).
- **Amendment to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement:** The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this amendment did not have a material effect on the Group's consolidated financial statements.

- **Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments:** Philippine Interpretation IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation did not have a material effect on the Group's consolidated financial statements.

#### *Improvement to PFRS (Issued in May 2010)*

The FRSC issued improvements to PFRS, an omnibus of amendments to its PFRS. The following amendments have been adopted as they become effective for annual periods beginning on or after either July 1, 2010 or January 1, 2011:

- i. Amendments to PFRS 3, Transition requirements for amendments to PAS 21, PAS 28 and PAS 31 made as a result of PAS 27 (Revised) effective July 1, 2010; and
- ii. Amendments to PFRS 1, PFRS 7, PAS 1, PAS 34 and Philippine Interpretation IFRIC 13 effective January 1, 2011.

The amendments resulting from the Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- **PFRS 3, Business Combinations:** The amendments: (a) clarify that contingent considerations arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (b) limit the accounting policy choice to measure non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (c) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquire awards. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- **PAS 27, Consolidated and Separate Financial Statements:** The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- **PFRS 7, Financial Instruments:** The amendments add an explicit statement that qualitative disclosure should be made in the context of quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- **PAS 1, Presentation of Financial Statements:** The amendments clarify that the disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- **PAS 34, Interim Financial Reporting:** The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statement.
- **Philippine Interpretation IFRIC-13 Customer Loyalty Programmes:** The amendment clarifies that the fair value of award credits includes consideration of the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The adoption of these amendments did not have a material effect on the consolidated financial statements.

Additional disclosures required by the revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

b. New standards, interpretations and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements, which the Group reasonably expects to be applicable at a future date, are enumerated below. The Group intends to adopt those standards when they become effective.

- **Amendments to PFRS 7: Disclosures - Transfers of Financial Assets:** The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with the entity's continuing involvement in those derecognized assets.

The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- **PFRS 9 Financial Instruments: Classification and Measurement:** PFRS 9 as issued reflects the first phase of the FRSC work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the FRSC will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- **PFRS 10 Consolidated Financial Statements:** This standard was developed to eliminate perceived conflict on concept of consolidation between PAS 27, *Consolidated and Separate Financial Statements* (amended in 2008) and Philippine Interpretation PIC-12, *Consolidation - Special Purpose Entities*. PAS 27 (amended in 2008) requires consolidation of entities based on control whereas Philippine Interpretation PIC-12 mandates



consolidation of entities based on risks and rewards. It provides a new definition of control based on three elements: power over the investee, exposure or rights to variable returns from involvement with the investee, ability to use power over the investee to affect the amount of investor's return.

The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PFRS 11 Joint Arrangements:** This standard requires an entity to account joint arrangement based on its rights and obligations arising from the arrangement rather than based on the structure of the arrangement as required by PAS 31, *Interests in Joint Ventures*. The new standard has removed the option to account jointly controlled entities using proportionate consolidation method.

The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PFRS 12 Disclosures of Interests in Other Entities:** This standard prescribes all of the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PFRS 13 Fair Value Measurement:** This standard was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures.

The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **Amendments to PAS 1: Presentation of Items of Other Comprehensive Income:** The presentation of Items of Other Comprehensive Income (Amendments to PAS 1) amended paragraphs 7, 10, 82, 85-87, 90, 91, 94, 100 and 115, added paragraphs IN 17-IN 19, 10A, 81A, 81B, 82A and 139J and deleted paragraphs 12, 81, 83 and 84.

Entities shall apply those amendments for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

- **Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets:** This standard requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

As a result of the amendments, Philippine Interpretation PIC-21 Income Taxes- Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation PIC-21, which is accordingly withdrawn.

- **PAS 19 (Amend) Employee Benefits:** Significant changes to this standard include: removal of corridor approach in recognizing actual gains and losses, presentation of remeasurements on defined benefit plans in other comprehensive income and improved disclosure requirements.

The amended standard is applied retrospectively with limited exceptions.

Entities shall apply the amended PAS 19 for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The amendments are effective January 1, 2012. Earlier application is permitted.

- **PAS 27 Amended Separate Financial Statements:** This completes the consolidation project. The standard was amended to contain requirements relating only to separate financial statements.

The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PAS 28 Amended Investments in Associates and Joint Ventures:** The new standard on joint arrangements is applied to determine the type of joint arrangement in which an entity is involved. With this, PAS 28 was amended to incorporate accounting requirements for joint ventures. Once an entity has determined that it has an interest in a joint venture, it accounts for the investment using the equity method in accordance with PAS 28 (amended in 2011).

The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

## 2.2 Basis of consolidation

### *Basis of consolidation from January 1, 2010*

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries as at December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income is attributable to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;

- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### *Basis of consolidation prior to January 1, 2010*

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

### **2.3 Business combinations**

#### *Business combinations from January 1, 2010*

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred in a business combination are measured at the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity interests from a contingent consideration arrangement, which is recognized at their acquisition-date fair value.

#### *Non-controlling interests*

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

#### *Acquisition- related costs*

Acquisition- related costs incurred to effect a business combination are recognized as expenses in the periods in which the costs are incurred and the services are received.

#### *Classifying or designating identifiable assets acquired and liabilities assumed in a business combination*

At the acquisition date, the Group classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other PFRSs subsequently on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. This includes the separation embedded derivatives in host contracts by the acquiree.

### *Business combination achieved in stages*

In a business combination achieved in stages, the Group re-measures its previously held equity interest in the acquire at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income as appropriate.

### *Contingent consideration*

Subsequent changes that are not measurement period adjustments in the fair value of contingent consideration classified as an asset or liability are recognized either in profit or loss or in other comprehensive income in accordance with PFRS 9 or PAS 39 as applicable. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. In instances when the contingent consideration does not fall within the scope of PFRS 9 or PAS 39, it is accounted for in accordance with PAS 37 or other PFRS as appropriate.

### *Goodwill*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

### *Allocating goodwill to cash-generating units*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

Where goodwill has been allocated to a CGU and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

### *Business combinations prior to January 1, 2010*

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

## 2.4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) that makes strategic decisions.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 2.5 Financial instruments

### *Initial recognition*

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value plus transaction costs except for financial instruments measured at fair value through profit or loss (FVPL).

### *Classification of financial instruments*

The Group classifies its financial assets as financial assets at FVPL, held-to-maturity (HTM) financial assets, loans and receivables or available for sale (AFS) financial assets. The Group's financial assets as of December 31, 2011 and 2010 comprise of loans and receivables, which include cash on hand and in banks, trade and other receivables and advances to related parties. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group's financial liabilities as of December 31, 2011 and 2010 comprise of interest-bearing loans and borrowings, trade and other payables and advances from related parties. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

### *Classification of financial instruments between debt and equity*

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

### *Determination of fair value*

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions). When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

### *Derecognition of financial instruments*

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

## *Financial assets*

### *Financial assets at FVPL*

Financial assets at FVPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as noncurrent. The Group does not have financial assets under this category.

### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within other operating income, net in the consolidated statement of income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables is comprise of cash on hand and in banks, trade and other receivables and advances to related parties as shown in the consolidated statements of financial position.

### *HTM investments*

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are derecognized or impaired, as well as through the amortization process. The Group does not have any assets under this category.

### *AFS investments*

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is

recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income and removed from the AFS reserve.

The Group evaluated its AFS assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income. The Group does not have any asset under this category.

### *Financial liabilities*

#### *Financial liabilities at FVPL*

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

#### *Other financial liabilities*

Other financial liabilities include trade and other payables, advances from related parties and short-term loans, which are initially recognized at fair value and subsequently carried at amortised cost using the EIR method.

### *Fair value measurement hierarchy*

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (Note 3). The fair value hierarchy has the following levels:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.



## *Impairment of financial assets*

### *Assessment of impairment*

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

### *Evidence of impairment*

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

### *Impairment on assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in "Other operating income, net" in the consolidated statement of income.

### *Impairment on assets carried at cost*

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### *Reversal of impairment loss*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in "Other income (expenses)" in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

## **2.6 Inventories**

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method and comprises all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Harvested agricultural produce are carried at fair value less estimated point-of-sale costs at the point of harvest. The Group directly writes off inventory due to spoilage, damage, and bad quality.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

## **2.7 Advances to projects**

Advances to projects represent unliquidated expenditures for unutilized farm locations. Advances to projects are initially recorded as asset and measured based on actual cash outlay. Subsequently, said advances are reclassified to biological assets or property and equipment once the recognition criteria for those assets are met. Other liquidated advances to projects are recorded as period costs in the Group's consolidated statements of income.

Advances to projects are classified in the Group's consolidated statement of financial position as current assets when these advances are expected to be liquidated within one year or the Group's normal operating cycle, whichever is longer; otherwise these are classified as noncurrent asset.

## **2.8 Prepayments, other current assets and noncurrent assets**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the consolidated statements of income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the Group's consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle; whichever is longer. Otherwise prepayments are classified as noncurrent assets.

Other current assets are recognized when the Group expects to receive future economic benefits from them and the amount can be measured reliably.

## **2.9 Biological assets**

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group classifies its biological assets between consumable and bearer biological assets. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Bearer biological assets are those other than consumable biological assets which comprise of fruit trees, low and high land vegetables such as asparagus, eggplants, bitter melon. Bearer biological assets are classified as current and noncurrent. A bearer biological asset of which the life cycle/cropping period is less than one year is classified as current, while those that has more than one year is classified as noncurrent.

The Group measures its biological assets at cost on initial recognition and at the end of each reporting period, at fair value less estimated point-of-sale costs. Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transportation costs and transfer taxes and duties. Subsequent expenses relating to agricultural activity such as planting, weeding, irrigation, fertilizers and harvesting costs are recorded as cost of production of that period. Harvested agricultural produce are transferred to inventory at its fair value less estimated point-of-sale costs at the point of harvest.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's consolidated statement of income for the period in which they arise.

## 2.10 Property, plant and equipment

Property, plant and equipment, except land, are initially measured at cost and subsequently measured at cost less any subsequent accumulated depreciation, amortization and any impairment in value. The initial cost of property, plant and equipment consists of its purchase price, import duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use. Land is initially measured at cost and subsequently measured at cost less any impairment in value.

Subsequent expenditures relating to an item of property, plant and equipment such as additions, major improvements and renewals are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to operating expenses in the Group's consolidated statement of income during the period in which these are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the following property, plant and equipment:

Building	15 years
Store and warehouse equipment	3 - 5 years
Delivery and transportation equipment	3 - 12 years
Machinery and equipment	3 - 12 years
Office furniture and fixtures	3 - 12 years
Other equipment	3 - 12 years
Leasehold improvements	5 years

Leasehold improvements are amortized over the term of the lease or estimated useful lives of the improvements, whichever is shorter.

Construction-in-progress represents leasehold improvements under construction and is stated at cost. This includes cost of construction, renovation, and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period (Note 2.22). Construction in-progress is not depreciated until the relevant asset is completed and ready for intended use.

An asset's carrying amount is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The useful lives, residual value and depreciation methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. An item of property, plant equipment is derecognized upon disposal or when no future economic benefit are expected to arise from its continued use. The gain or loss arising from

the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Group's consolidated statement of income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to consolidated statement of income.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to other operating expenses in the Group's consolidated statement of income.

## 2.11 Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's consolidated statement of financial position.

### *Group as lessor*

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### *Group as lessee*

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Group's consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on

the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

## 2.12 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Group recognizes an item as an intangible asset if it can demonstrate that the item meets the definition of an intangible asset and the recognition criteria. An intangible asset is recognized if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset is measured initially at cost and subsequently measured at either the cost model or the revaluation model. If an intangible asset is accounted for using the revaluation model, all other assets in its class are also accounted for using the same model, unless there is no active market for those assets.

### *Cost model*

After initial recognition, an intangible asset is carried at its cost less any subsequent accumulated amortization and any accumulated impairment losses.

### *Revaluation model*

After initial recognition, an intangible asset is carried at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

Increases as a result of a revaluation are recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decreases of the same asset previously recognized in profit or loss.

Decreases as a result of a revaluation are recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset.

### *Useful life*

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is

recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### *Retirements and disposals*

An intangible asset is derecognized in disposal, or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

#### *Trademark*

Trademark is measured initially at cost which includes, but not limited to, costs of material and services used or consumed in generating the asset, costs of employee benefits arising from the generation of the asset and fees paid to register the legal right to own the asset. Trademarks acquired in a business combination are recognized at fair value as at the date of acquisition.

After initial recognition, the trademark is carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For purposes of revaluation, fair value is determined by reference to an active market of that asset. Where an active market is not available, appropriate valuation technique is employed to estimate the fair value of the asset as of financial reporting date.

#### *Goodwill*

Goodwill recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The future economic benefits may result from synergy between the identified assets acquired from assets that individually do not qualify for recognition in the financial assets.

Goodwill that arises from the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire and in business combination achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the Group's consolidated statement of income.

Goodwill is subsequently measured at the amount recognized at the acquisition date less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date, allocated to each of the Group's CGU, or groups of CGU, that are expected to benefit from synergies of the business combination, irrespective of whether other assets or

liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

#### *Computer software*

Computer software are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives of 5 years.

#### *Franchise*

The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is measured at cost.

After initial recognition, the franchise is carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For purposes of revaluation, fair value is determined by reference to an active market of that asset. Where an active market is not available, appropriate valuation technique is employed to estimate the fair value of the asset as of financial reporting date.

### **2.13 Provisions and contingencies**

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the Group's consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the Group's consolidated financial statements but disclosed in the notes to Group's consolidated financial statements when an inflow of economic benefits is probable.

### **2.14 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets such as intangible assets and property, plant and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset or its cash generating unit's (CGU) fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the consolidated statement of income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the consolidated statement of income.

## **2.15 Pension benefits**

Pension cost is determined using the projected unit credit method. This method reflects the services rendered by the employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, recognized actuarial gains and losses, the effect of any curtailment or settlements and amortization of transitional liability at the date of adoption of PAS 19.

The defined benefit liability / defined benefit asset recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the financial reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated by an actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

Cumulative unrecognized actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to profit or loss over the expected average remaining working lives of employees.

Past-service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this instance, the past-service costs are amortized on a straight-line basis over the vesting period.

## **2.16 Share capital**

Financial instruments issued by the Parent Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.



Share capital is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as share premium.

The Group's ordinary shares are classified as equity instruments.

## **2.17 Retained earnings**

Retained earnings include all current and prior period results as disclosed in the consolidated statement of income.

## **2.18 Dividends**

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

## **2.19 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

### *Sale of goods*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized.

### *Sale of services*

Revenue from services is recognized in the period in which they are rendered, provided the amount of revenue can be measured reliably and it is probable that the Group will receive consideration.

### *Finance income*

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### *Rental income*

Rental income arising on leased property is accounted for on a straight-line basis over the lease term of ongoing leases.

### *Other income*

Other income is recognized when earned.

## **2.20 Cost and expense recognition**

Costs and expenses are recognized in the Group's consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the Group's consolidated statements of financial position as an asset.

Expenses in the Group's consolidated statements of income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the goods sold and includes freight in, purchases and direct labor. Operating and other expenses are costs attributable to selling and administrative activities of the Group.

## **2.21 Foreign currency translation**

The Group's consolidated financial statements are presented in Philippine Peso (P), which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the Group's consolidated statements of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the Group's consolidated statements of income.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in Group's consolidated other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Philippine Peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in the hyperinflationary economies, are translated to Philippine Peso prevailing at the dated of the transactions.

Foreign currency differences are recognized in other comprehensive income and presented in the foreign currency translation reserve ("Translation Reserve") in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in other comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation Reserve" equity.

Any goodwill arising on the acquisition of a foreign operation subsequent to January 1, 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **2.22 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in Group's consolidated statements of income in the period in which they are incurred.

#### **2.23 Related parties**

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled or under common control are considered related parties.

#### **2.24 Income taxes**

The tax expense for the period comprises current and deferred tax. Tax expense is recognized in profit or loss for the period, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, or when the tax arises from a business combination. Current and deferred tax that relates to items that are recognized in other comprehensive income

or directly in equity are also recognized in other comprehensive income or directly in equity, respectively.

#### *Current income tax*

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute for the amount are those that are enacted or substantively enacted at the financial reporting date.

#### *Deferred income tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. However, deferred income tax liabilities are not recognized if it arises from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
  - (i) is not a business combination; and
  - (ii) at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry-over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits from MCIT and NOLCO can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same transaction authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

## 2.25 Basic and diluted earnings per share (EPS)

Basic EPS is computed by dividing profit or loss attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

For the purpose of calculating diluted EPS, profit or loss for the year attributable to ordinary equity holders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

## 2.26 Events after the financial reporting date

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

## NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements in conformity with PFRS requires the Group's management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Judgments

#### *Determination of functional currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the Parent Company's functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the sale of goods and expenses of the Group.

The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine Peso which is the Parent Company's functional and presentation currency.

#### *Classification of financial instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Group also determines and evaluates its intention and ability to keep the investments until their maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

The classification of financial assets and liabilities is presented in Note 4.

#### *Determination of fair value of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The fair value of financial assets and liabilities as of December 31, 2011 and 2010 are disclosed in Note 4.

#### *Determination of fair value of biological asset*

The Group's biological asset is measured at cost on initial recognition and adjusted to its fair value less estimated point-of-sale costs at the end of each reporting period. In measuring the fair value less estimated point-of-sale costs, the following factors are considered:

- Quoted price in an active market;
- Most recent market transaction price;
- Market price for similar asset with adjustment to reflect any differences;
- Sector benchmark; and
- Present value of expected net cash flows from the asset.

The fair value less estimated point-of-sale costs of the Group's biological assets as of December 31, 2011 and 2010 amounted to P697,850,055 and P454,859,523, respectively (Note 11).

#### *Determination of fair value of trademark*

Income approach is the conversion of the property's anticipated future income or expected periodic benefits of ownership into an indication of value. It is based on the premise that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future income from the same or equivalent property with similar risk. The income approach capitalizes the net future benefits accruing to the asset or group of assets. The term "net future benefits" means that all measurable costs — including estimation of risks — related to gainfully exploiting the assets are duly factored out. This approach is applicable to the valuation of income producing properties, business enterprise as well as the valuation of intangible assets. This approach measures the current value of an asset by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment.

Relief from royalty method, the most comprehensive method to value brand, is a method that assumes the owner of the intangible asset saves from operating costs by possessing the intangible asset. The underlying premise of this method is that the economic value of the asset is directly related to the amount and timing of the future net cash flows resulting from the asset.

The valuation process consisted of the following:

- Estimation of the net sales attributable to the brand;
- Estimation of the acceptable royalty rate;

- Estimation of an appropriate discount rate; and
- Discounting process using an appropriate discount rate to arrive at an indicative market value of the brand.

The valuation assumptions used were as follows:

- The discount rate was computed using the build up method; discount rate in the valuation is 13.10%.
- Discount rate is used to calculate the present value of future projections of a benefit stream when growth varies from year to year. However, if growth is estimated to remain level throughout the life of investment, a capitalization rate is often used.
- The valuation is based on the Company's historical and projected financial assumptions and projection. Projections prepared reflect the current and expected future market conditions avoiding excessive optimism.

The fair value of the Group's trademark for December 31, 2011 and 2010 amounted to P979,043,170 and P779,000,000, respectively (Note 14).

Based on Management's assessment, the Group's trademark is not impaired for the years ended December 31, 2011 and 2010.

#### *Operating lease commitments- Group as a lessee*

The Group has entered into leases with various lessors. Based on the evaluation of the terms and conditions of the arrangements, all the significant risks and benefits of ownership of the properties remain with the lessor. Accordingly, the Group accounted for these leases as operating leases.

Rental expense of the Group amounted to P22,658,527, P9,706,451 and P937,873 in 2011, 2010 and 2009, respectively (Note 26).

#### **Estimates and assumptions**

##### *Estimation of useful lives and residual value of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

The estimated useful lives of the Group's property, plant and equipment are set-out in Note 2.10.

Depreciation expense of the Group's property, plant and equipment amounted to P48,618,604, P17,880,128 and P20,399 for 2011, 2010 and 2009, respectively (Note 13).

The carrying value of property, plant and equipment amounted to P652,428,349 and P521,670,051 as of December 31, 2011 and 2010, respectively (Note 13).

### *Estimation of useful lives and residual value of intangible assets*

The Group assesses whether the useful life of an intangible asset is finite or indefinite and if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the Group as having indefinite useful life when, based in an analysis of all the relevant factors there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The depreciation amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life using an amortization method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful lives and the amortization method are accounted for as changes in accounting estimates.

The useful life of an intangible asset that is not being amortized is reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

The Intellectual Property Code of the Philippines provides legal protection for a trademark by giving a legal life of 10 years and may be renewed for periods of 10 years each.

In 2010, the Group has determined that its FCA trademark has a definite life of ten (10) years. However, management has identified new markets and expects that this will continue to grow. Because of the increasing revenue, management believes that the cash flows from the sales of its products with the FCA trademark will extend to more than the legal life. Thus, during 2011, management has determined that the life of the trademark is indefinite. This change has been accounted for by the Group prospectively. As of December 31, 2011 and 2010, the carrying amount of the FCA trademark amounted to P779,000,000 (Note 14)

In 2011, the Group has acquired the "Big Chill" trademark through a business combination, the life of which is also assessed to be indefinite because management believes that the cash flows from the sales of its products with "Big Chill" trademark will extend to move than its legal life. As of December 31, 2011, the carrying amount of "Big Chill" trademark amounted to P200,000,000 (Note 14).

Goodwill acquired in business combination is not amortized but is required to be tested for impairment annually.

The estimated life of the Group's computer software is set-out in Note 2.12, which showed no change in 2011, 2010 and 2009.

Amortization of Group's intangible assets amounted to P211,124, P88,998 and P20,399 for 2011, 2010 and 2009, respectively (Note 14).

The carrying value of the Group's intangible assets amounted to P1,018,682,537 and P809,521,267 as of December 31, 2011 and 2010, respectively (Note 14).

### *Impairment loss of financial assets*

The Group maintains allowance for bad debts accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to



obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of 2011 and 2010, the Group determined that trade receivables amounting to P4,868,451 and P3,215,517, respectively, were impaired based on individual assessment (Note 8).

#### *Impairment of property, plant and equipment and intangible assets*

The Group determines whether its property, plant and equipment and intangible assets are impaired at least annually. In determining the fair value of property, plant and equipment and intangible assets the Group relies on the determination of an independent firm of appraisers, which involves significant assumptions and estimates. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. While management believes that the assumptions made are appropriate and reasonable, significant changes in assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Based on management's assessment, property, plant and equipment and intangible assets are fully recoverable at their carrying amounts, thus, no impairment were recognized for the years ended December 31, 2011, 2010 and 2009.

#### *Estimation of net realizable value of inventories*

The Company provides an allowance to reduce inventories to net realizable values whenever the utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the net realizable value is reviewed regularly. The Group provided no allowance for inventory obsolescence as management believes that the recorded costs are lower than their net realizable values as of December 31, 2011 and 2010.

No provision for impairment was recorded for the years ended December 31, 2011 and 2010.

#### *Estimation of liability for pension benefits*

The determination of the Group's obligation and cost of pension and other pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 17 and include, among others, discount rate and salary increase rate.

In accordance with PFRS, actual results that differ from the assumptions used are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Based on the actuarial valuation, the estimated liability for pension benefits amounted to P2,100,908 and P950,645 as of December 31, 2011 and December 31, 2010, respectively (Note 17).

Net pension costs presented under operating expenses for the years ended December 31, 2011, 2010 and 2009 amounted to P1,150,263, P217,430 and P207,921, respectively (Note 26).

#### *Estimating recoverability of deferred tax assets*

The Group reviews its deferred income tax assets at each financial reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Total deferred income tax assets amounted to P2,090,807 and P1,249,848 as of December 31, 2011 and 2010, respectively, which management believes is fully recoverable at their carrying amounts (Note 29).

## **NOTE 4 - FINANCIAL INSTRUMENTS**

The following table shows the classification, carrying values and fair values of the Group's financial assets and financial liabilities as of December 31:

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash on hand and in banks (Note 7)	P108,479,707	P108,479,707	P73,776,402	P73,776,402
Trade and other receivables, net (Note 8)	657,816,762	657,816,762	298,763,491	298,763,491
Advances to related parties (Note 18)	17,530,521	17,530,521	41,756,983	41,756,983
	<u>P783,826,990</u>	<u>P783,826,990</u>	<u>P414,296,876</u>	<u>P414,296,876</u>
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Interest-bearing loans and borrowings (Note 15)	P1,040,778,447	P1,040,778,447	P519,442,200	P519,442,200
Trade and other payables (Note 16)	110,739,286	110,739,286	53,698,096	53,698,096
Advances from related parties (Note 18)	289,837	289,837	215,208	215,208
	<u>P1,151,807,570</u>	<u>P1,151,807,570</u>	<u>P573,355,504</u>	<u>P573,355,504</u>

The carrying amounts of cash on hand and in banks, trade and other receivables, advances to and from related parties and trade and other payables approximate their fair values due to the relatively short-term maturities of the financial instruments.

The fair value of the Group's interest-bearing loans and borrowings is based on its carrying amount which approximates the discounted value of future cash flows using its interest rates starting from 4.7% per annum.

Items of income, expense, gains or losses recognized from financial instruments are as follows:

	2011	2010	2009
Impairment loss on trade and other receivables (Notes 8 and 27)	(P1,652,934)	(P3,215,527)	P-
Realized foreign exchange gain (loss), net (Note 25 and 27)	379,176	(78,285)	(4,126)
Finance income (Note 7)	642,087	95,032	3,837,569
Finance costs (Note 15)	(49,950,841)	(16,687,620)	(20,340,457)
	<u>(P50,582,512)</u>	<u>(P19,886,400)</u>	<u>(P16,507,014)</u>

As of December 31, 2011 and 2010, the Group has no financial instrument valued based on level 1, 2, and 3 of the fair value hierarchy disclosed in Note 2.5.

## NOTE 5 - FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities are exposed to a variety of financial risks, which include credit risk, liquidity risk and market risk. Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

### *Risk management structure*

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

### **Financial risk management objectives and policies**

The Group is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash on hand and in banks, trade and other receivables and payables, interest bearing loans and borrowings and advances to and from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and payables, which arise directly from operations.

Financial risk management of the Group is coordinated by the management of the subsidiaries with its Parent Company. Group policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results of operations and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

### *Credit risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from deposits with banks, as well as credit exposure to receivables from third and related parties.

The Group trades only with recognized, creditworthy third parties. FCAC and FG are exposed to credit risk due to dependence on one customer. However, this sole customer of FCAC and FG is credit worthy and has already established good business relationship. Also, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For banks, the Group has maintained its business relationships with accredited banks, which are considered in the industry as universal banks.

The receivables from related parties are accordingly collected in accordance with the Group's credit policy.

The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	2011	2010
<i>Loans and receivables</i>		
Cash in banks (Note 7)	P83,532,937	P53,274,425
Trade and other receivables, net (Note 8)	657,816,762	298,763,491
Advances to related parties (Note 18)	17,530,521	41,756,983
	<u>P758,880,220</u>	<u>P393,794,899</u>

The following table provides an analysis of the age of the financial assets that are past due but not impaired and those financial assets that are individually determined to be impaired as at the end of the reporting period:

	2011					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P83,532,937	P83,532,937	P-	P-	P-	P-
Trade and other receivables (Note 8)	662,685,213	316,550,485	296,615,288	28,247,790	16,403,199	4,868,451
Advances to related parties (Note 18)	17,530,521	17,530,521	-	-	-	-
	<u>P763,748,671</u>	<u>P417,613,943</u>	<u>P296,615,288</u>	<u>P28,247,790</u>	<u>P16,403,199</u>	<u>P4,868,451</u>
	2010					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	91 to 120 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P53,274,425	P53,274,425	P-	P-	P-	P-
Trade and other receivables (Note 8)	301,979,008	241,003,729	25,995,677	1,381,195	30,382,890	3,215,517
Advances to related parties (Note 18)	41,756,983	41,756,983	-	-	-	-
	<u>P397,010,416</u>	<u>P336,035,137</u>	<u>P25,995,677</u>	<u>P1,381,195</u>	<u>P30,382,890</u>	<u>P3,215,517</u>

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

### *Credit quality per class of financial assets*

The Group's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Group makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Group based on their historical experience with the corresponding third parties as of December 31, 2011 and 2010:

	2011						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated*			
<i>Loans and receivables</i>							
Cash in bank (Note 7)	P83,532,937	P-	P-	P-	P-	P-	P83,532,937
Trade and other receivables (Note 8)	316,550,485	-	-	-	341,266,277	4,868,451	662,685,213
Advances to related parties (Note 18)	17,530,521	-	-	-	-	-	17,530,521
	<b>P417,613,943</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P341,266,277</b>	<b>P4,868,451</b>	<b>P763,748,671</b>
	2010						
	Neither Past Due nor Impaired				Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated*			
<i>Loans and receivables</i>							
Cash in bank (Note 7)	P53,274,425	P-	P-	P-	P-	P-	P53,274,425
Advances to related parties (Note 18)	41,756,983	-	-	-	-	-	41,756,983
Trade and other receivables (Note 8)	241,003,729	-	-	-	57,759,762	3,215,517	301,979,008
	<b>P336,035,137</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P57,759,762</b>	<b>P3,215,517</b>	<b>P397,010,416</b>

*\*Financial instruments that the Group did not rate such as unquoted equity investments*

### *Impairment assessment*

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

The Group applied specific (individual) assessment methodology in assessing and measuring impairment.

### *Specific (individual) assessment*

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Group sets criteria for specific loan impairment testing and uses the Discounted Cash Flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

### *Liquidity risk*

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due and because of lack of funding to finance its growth and capital expenditures and working capital requirements.

The Group's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. In addition, the Group continually supports the short-term funding and financing requirements of the subsidiaries.

The following summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments as of December 31:

	2011				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
Trade and other payables (Note 16)	P80,388,563	P30,350,723	P-	P-	P110,739,286
Interest-bearing loans and borrowings (Note 15)*	-	-	788,278,447	252,500,000	1,040,778,447
Advances from related parties (Note 18)	289,837	-	-	-	289,837
	<u>P80,678,400</u>	<u>P30,350,723</u>	<u>P788,278,447</u>	<u>P252,500,000</u>	<u>P1,151,807,570</u>
	2010				Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	
Trade and other payables (Note 16)	P49,727,666	P3,920,656	P49,774	P-	P53,698,096
Interest bearing loans and borrowings (Note 15)*	-	-	519,442,200	-	519,442,200
Advances from related parties (Note 18)	215,208	-	-	-	215,208
	<u>P49,942,874</u>	<u>P3,920,656</u>	<u>P519,491,974</u>	<u>P-</u>	<u>P573,355,504</u>

*\*The Group has the option to roll forward these loans and borrowings, which are normally due within 3 months or less.*

### *Market risk*

Market risk refers to the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's financial instruments that are exposed to interest risk are its interest-bearing loans and borrowings that are based on prevailing market rate, subject to quarterly repricing. These are concession rates given by the bank in consideration for the Group's operational and financial difficulties.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile as of December 31:

2011						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
<i>Interest-bearing loans and borrowings</i>						
MICB	P139,612,000	P-	P-	P-	P-	P139,612,000
BPI	98,625,000	-	-	-	-	98,625,000
BDO	195,000,000	-	-	-	-	195,000,000
UCPB	49,906,771	-	-	-	-	49,906,771
LBP	159,253,466	13,600,000	-	-	240,000,000	412,853,466
China Trust	108,117,400	-	-	-	-	108,117,400
ORIX	4,163,810	-	12,500,000	-	-	16,663,810
Malayan Bank	20,000,000	-	-	-	-	20,000,000
	<b>P774,678,447</b>	<b>P13,600,000</b>	<b>P12,500,000</b>	<b>P-</b>	<b>P240,000,000</b>	<b>P1,040,778,447</b>

2010						
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
<i>Interest-bearing loans and borrowings</i>						
MICB	P55,254,652	P-	P-	P-	P-	P55,254,652
BPI	131,538,900	-	-	-	-	131,538,900
BDO	100,000,000	-	-	-	-	100,000,000
BOC	42,720,140	-	-	-	-	42,720,140
UCPB	50,000,000	-	-	-	-	50,000,000
LBP	49,000,000	-	-	-	-	49,000,000
China Trust	69,930,295	-	-	-	-	69,930,295
ORIX	20,998,213	-	-	-	-	20,998,213
	<b>P519,442,200</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P519,442,200</b>

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of interest-bearing loans and borrowings with all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/decrease in interest rate	Effect on profit before tax
2011	+1%	P499,509
	-1%	(499,509)
2010	+1%	166,876
	-1%	(166,876)
2009	+1%	203,404
	-1%	(203,404)

### Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars and HK Dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2011		2010	
	US Dollar (US\$)	Philippine Peso (P) equivalent	US Dollar (US\$)	Philippine Peso (P) equivalent
Cash on hand and in banks	US\$134,039	P5,888,064	US\$136,362	P5,982,472
Trade and other receivables	667,955	29,341,909	920,329	40,810,577
Interest-bearing loans and borrowings	1,242,000	54,558,576	-	-
	<u>US\$2,043,994</u>	<u>P89,788,549</u>	<u>US\$1,056,691</u>	<u>P46,793,049</u>

	2011		2010	
	HK Dollar (HK\$)	Philippine Peso (P) equivalent	HK Dollar (HK\$)	Philippine Peso (P) equivalent
Cash on hand and in banks	HK\$4,478,704	P25,310,500	HK\$-	P-
Trade and other receivables	4,350,196	24,584,263	2,143,783	12,106,486
	<u>HK\$8,828,900</u>	<u>P49,894,763</u>	<u>HK\$2,143,783</u>	<u>P12,106,486</u>

The following table details the Group's sensitivity to a 10% increase and decrease in the Philippine Peso against the relevant foreign currencies. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% in foreign currency rates. The sensitivity analysis includes all of the Group's



foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit and other equity when the Philippine Peso strengthens 10% against the relevant currency. For a 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Change in foreign currency rates	Effect on profit before tax	
		2011	2010
Cash on hand and in banks	+10%	P3,112,779	P598,424
	-10%	(3,112,779)	(598,424)
Trade and other receivables	+10%	5,357,221	4,038,862
	-10%	(5,357,221)	(4,038,862)
Interest-bearing loans and borrowings	+10%	5,455,858	-
	-10%	(5,455,858)	-

\* Amounts were translated using foreign exchange rates from the Bangko Sentral ng Pilipinas.

### *Capital risk management*

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group monitors capital on the basis of the net debt-to-equity ratio, which is calculated as net debt divided by total equity. Total debt is equivalent to total liabilities shown in the Group's consolidated statements of financial position. Total equity comprises all components of equity including share capital, share premium and retained earnings.

	2011	2010
Total debt	P1,445,346,234	P839,071,384
Cash on hand and in banks (Note 7)	(108,479,707)	(73,776,402)
Net debt	1,336,866,527	765,294,982
Equity	2,315,690,680	1,585,192,634
Net debt to equity ratio	0.58	0.48

There were no changes in the Group's approach to capital management during the periods. The Group is not subject to externally imposed capital requirements.

## NOTE 6 - OPERATING SEGMENTS

The CEO is the Company's chief operating decision-maker. Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions.

The reportable operating segments derive its revenue primarily from the growing, sourcing, export, distribution and warehousing of fresh and processed fruits and vegetables throughout the country. The other segments' revenues arise from trucking, logistics and other activities that do not fall under the previous Group categories. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. These divisions are the basis on which the Group reports its primary segment information. All operating business segments used by the Group meet the definition of a reportable segment under PFRS 8.

The Group is organized into five (5) major operating segments aggregated according to the nature of the products and services provided - farming, production, distribution, export and retail and franchise.

Farming operations derive its revenue from serving the fresh needs of the Parent Company's distribution subsidiaries.

Production operations derive its revenues from manufacturing and processing branded and toll-manufactured fruit beverages such as mango nectar, tamarind juice, coco juice and coffee. It also serves the frozen and processed fruit requirement of food manufacturers and processors from both local and export markets.

Distribution operations is engaged in the commercial distribution of fresh fruits and vegetables to key retail accounts in the country, as well as in the wholesale trading and distribution of commercial crops through trade channels such as hotels, restaurants, public wet markets and catering companies.

Export operations serves the fresh needs of the leading retail and key institutional accounts in the country, and also supplies homegrown fruits such as mango, banana, sweet pineapple and papaya to customers in the Greater China Region, Japan, Korea, and the Middle Eastern, European, and North American Regions.

Retail and franchise operations derive its revenues from selling beverages and fruit products under the following brands: Big Chill for fresh fruit beverages and dessert kiosks; Canefusion for sugar cane juice; and Fresh Bar and C' Verde for healthy snack bar. The Parent Company also entered into an agreement with Seattle's famous Tully's Coffee International to develop and launch Tully's Coffee houses in the Philippines.

### *Segment assets and liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, biological assets, intangible assets and property and equipment, net of provisions. Segment liabilities include all operating liabilities and consist principally of interest-bearing loans and borrowings, accounts and other payables and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

The CEO assesses the performance of the operating segments based on a measure of earnings before Interests, Taxes and Depreciation and Amortization (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments and common expense.

### *Inter-segment transactions*

Segment sales, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

The following table presents sale and expense information and certain asset and liability information regarding business segments for the years ended December 31, 2011 and 2010.

	Farming			Production		
	2011	2010	2009	2011	2010	2009
Revenue	P469,345,834	P156,805,912	P84,514,701	P175,936,804	P132,431,635	P22,179,079
Cost of sales	(453,006,056)	(141,129,302)	(77,692,880)	(132,305,114)	(101,611,784)	(12,988,993)
Other operating income	155,456,374	59,380,361	-	173,600	423,876	39,341
Operating expenses	(33,823,793)	(10,910,777)	(2,024,471)	(23,420,893)	(21,929,303)	(6,951,806)
Other operating expenses	(21,504,832)	-	-	-	(1,277,382)	-
Finance income	307,704	360	-	2,677	1,132	-
Finance costs	-	(130,333)	(900,000)	-	-	-
Provision for income tax	(30,322,568)	(19,392,816)	(1,177,945)	(792,843)	(1,250,648)	(798,329)
Profit (loss) for the year	86,452,663	44,623,405	2,719,405	19,594,231	6,787,526	1,479,292
Finance costs	-	130,333	900,000	-	-	-
Finance income	(307,704)	(360)	-	(2,677)	(1,132)	-
Provision for income tax	30,322,568	19,392,816	1,177,945	792,843	1,250,648	798,329
Depreciation and amortization	7,397,382	2,150,590	2,150,590	7,601,377	4,277,584	292,185
Adjusted EBITDA	P123,864,909	P66,296,784	P6,947,940	P27,985,774	P12,314,626	P2,569,806

	Distribution			Export		
	2011	2010	2009	2011	2010	2009
Revenue	P1,129,521,830	P934,114,556	P724,961,114	P911,242,154	P411,864,807	P201,734,426
Cost of sales	(983,984,181)	(826,214,566)	(638,695,123)	(685,304,367)	(302,799,584)	(144,034,497)
Other operating income	25,620,741	14,143,254	-	187,680,547	50,378,997	174,275
Operating expenses	(93,738,065)	(56,271,069)	(47,826,267)	(139,115,270)	(83,124,851)	(39,167,453)
Other operating expenses	(1,652,934)	(2,445,848)	-	-	(2,016,420)	(4,126)
Finance income	228,484	54,593	13,598	91,570	31,621	3,823,971
Finance costs	(18,852,136)	(7,381,850)	(10,091,102)	(31,098,705)	(9,175,437)	(9,349,355)
Provision for income tax	(9,913,882)	(13,519,210)	(8,669,968)	(11,517,805)	(6,194,826)	(3,324,961)
Profit (loss) for the year	47,229,857	42,479,860	19,692,252	231,978,124	58,964,307	9,852,280
Finance costs	18,852,136	7,381,850	10,091,102	31,098,705	9,175,437	9,349,355
Finance income	(228,484)	(54,593)	(13,598)	(91,570)	(31,621)	(3,823,971)
Provision for income tax	9,913,882	13,519,210	8,669,968	11,517,805	6,194,826	3,324,961
Depreciation and amortization	8,088,522	4,121,049	3,193,968	19,458,900	5,709,306	1,922,862
Adjusted EBITDA	P83,855,913	P67,447,376	P41,633,692	P293,961,964	P80,012,255	P20,625,487

	Retail and franchise			Others		
	2011	2010	2009	2011	2010	2009
Revenue	P68,725,942	P-	P-	P128,088,086	P58,616,029	P-
Cost of sales	(22,100,273)	-	-	(87,129,274)	(51,370,159)	-
Other operating income	130,134	-	-	-	(381,943)	-
Operating expenses	(44,273,111)	-	-	(34,598,903)	(4,612,755)	-
Other operating expenses	-	-	-	-	-	-
Finance income	-	-	-	11,652	7,326	-
Finance costs	-	-	-	-	-	-
Provision for income tax	(744,808)	-	-	(1,911,468)	(677,550)	-
Profit (loss) for the year	1,737,884	-	-	4,460,093	1,580,948	-
Finance costs	-	-	-	-	-	-
Finance income	-	-	-	(11,652)	(7,326)	-
Provision for income tax	744,808	-	-	1,911,468	677,550	-
Depreciation and amortization	3,461,582	-	-	2,821,966	1,084,036	-
Adjusted EBITDA	P5,944,274	P-	P-	P9,181,875	P3,335,208	P-

	Eliminations			Total		
	2011	2010	2009	2011	2010	2009
Revenue	(P629,100,411)	(P108,821,180)	(P15,707,111)	P2,253,760,239	P1,585,011,759	P1,017,682,209
Cost of sales	629,100,411	108,821,180	7,445,222	(1,734,728,854)	(1,314,304,215)	(865,966,271)
Other operating income	(175,351,478)	(64,254,344)	-	193,709,918	59,690,201	213,616
Operating expenses	-	3,571,244	926,104	(368,970,035)	(173,277,511)	(95,043,893)
Other operating expenses	-	-	-	(23,157,766)	(5,739,650)	(4,126)
Finance income	-	-	-	642,087	95,032	3,837,569
Finance costs	-	-	-	(49,950,841)	(16,687,620)	(20,340,457)
Provision for income tax	-	(201,481)	9,282,523	(55,203,374)	(41,236,531)	(4,688,680)
Profit (loss) for the year	(175,351,478)	(60,884,581)	1,946,738	216,101,374	93,551,465	35,689,967
Finance costs	-	-	-	49,950,841	16,687,620	20,340,457
Finance income	-	-	-	(642,087)	(95,032)	(3,837,569)
Provision for income tax	-	201,481	(9,282,523)	55,203,374	41,236,531	4,688,680
Depreciation and amortization	-	-	-	48,829,728	17,365,336	5,431,998
Adjusted EBITDA	(P175,351,478)	(P60,683,100)	(P7,335,785)	P369,443,230	P168,745,920	P62,313,533

As of December 31, 2011							
	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
<i>Segment assets</i>							
Cash on hand and in banks	P3,572,576	P3,034,819	P15,872,014	P68,747,505	P7,347,511	P9,905,282	P108,479,707
Trade and other receivables, net	51,502,964	30,968,951	356,822,724	172,782,508	16,811,962	28,927,653	657,816,762
Note receivable	-	-	58,000,000	-	-	-	58,000,000
Advances to related parties	3,392,405	232,202	11,955,756	1,488,390	461,768	-	17,530,521
Inventories	38,748,707	10,790,199	56,230,961	38,373,745	11,066,125	232,552	155,442,289
Advances to projects	88,848,343	25,000,000	-	50,000,000	186,758,011	-	350,606,354
Biological assets	697,850,055	-	-	-	-	-	697,850,055
Prepayments and other current assets	1,109,924	2,776,274	1,903,438	15,114,278	3,095,519	7,582,963	31,582,396
Property, plant and equipment, net	59,060,402	125,085,080	72,792,348	305,000,424	33,529,538	56,960,557	652,428,349
Intangibles assets, net	5,780	-	779,000,000	230,618,902	9,057,855	-	1,018,682,537
Deferred tax assets	28,301	180,889	893,949	906,956	80,712	-	2,090,807
Other noncurrent assets	-	-	-	6,027,137	4,500,000	-	10,527,137
<b>Consolidated total assets</b>	<b>P944,119,457</b>	<b>P198,068,414</b>	<b>P1,353,471,190</b>	<b>P889,059,845</b>	<b>P272,709,001</b>	<b>P103,609,007</b>	<b>P3,761,036,914</b>

As of December 31, 2010							
	Farming	Production	Distribution	Export	Retail & franchise	Others	Total
<i>Segment assets</i>							
Cash on hand and in banks	P986,040	P7,030,724	P39,711,837	P21,789,515	P-	P4,258,286	P73,776,402
Trade and other receivables, net	5,267,491	16,135,355	121,617,747	147,045,286	-	8,697,612	298,763,491
Note receivable	-	-	58,000,000	-	-	-	58,000,000
Advances to related parties	1,823,048	180,816	8,290,254	31,462,865	-	-	41,756,983
Inventories	1,150,360	9,667,938	33,050,740	33,340,868	-	326,670	77,536,576
Advances to projects	64,255,063	-	-	-	-	-	64,255,063
Biological assets	454,859,523	-	-	-	-	-	454,859,523
Prepayments and other current assets	150,000	1,102,301	3,554,794	12,964,013	-	4,562,055	22,333,163
Property, plant and equipment, net	62,882,593	103,793,319	79,253,381	250,927,038	-	24,813,720	521,670,051
Intangibles assets, net	-	-	779,000,000	30,521,267	-	-	809,521,267
Deferred tax assets	13,917	190,018	345,323	700,590	-	-	1,249,848
Other noncurrent assets	-	-	541,651	-	-	-	541,651
<b>Consolidated total assets</b>	<b>P591,388,035</b>	<b>P138,100,471</b>	<b>P1,123,365,727</b>	<b>P528,751,442</b>	<b>P-</b>	<b>P42,658,343</b>	<b>P2,424,264,018</b>

As of December 31, 2011							
	Farming	Production	Distribution	Export	Retail and franchise	Others	Total
<i>Segment liabilities</i>							
Interest bearing loans and borrowings	P-	P13,600,000	P343,106,770	P684,071,677	P-	P-	P1,040,778,447
Trade and other payables	6,671,558	8,762,150	30,395,876	17,901,131	21,606,486	25,402,085	110,739,286
Advances from related parties	-	110,000	-	2,484	177,353	-	289,837
Income tax payable	254,207	405,148	2,311,752	5,913,190	291,429	359,110	9,534,836
Other current liabilities	67,664	377,563	-	-	-	109,118	554,345
Pension liability	94,337	173,371	576,224	803,915	453,061	-	2,100,908
Deferred tax liabilities	47,648,753	-	233,644,638	55,184	-	-	281,348,575
<b>Consolidated liabilities</b>	<b>P54,736,519</b>	<b>P23,428,232</b>	<b>P610,035,260</b>	<b>P708,747,581</b>	<b>P22,528,329</b>	<b>P25,870,313</b>	<b>P1,445,346,234</b>

As of December 31, 2010							
	Farming	Production	Distribution	Export	Retail & franchise	Others	Total
<i>Segment liabilities</i>							
Interest bearing loans and borrowings	P-	P-	P251,300,000	P268,142,200	P-	P-	P519,442,200
Trade and other payables	5,950,327	4,167,910	27,613,269	11,126,309	-	4,840,281	53,698,096
Advances from related parties	9,820	-	-	205,388	-	-	215,208
Income tax payable	726,200	26,458	5,463,084	5,497,640	-	616,318	12,329,700
Other current liabilities	118,149	-	-	779,358	-	79,282	976,789
Pension liability	46,391	106,683	400,406	397,165	-	-	950,645
Deferred tax liabilities	17,814,108	-	233,644,638	-	-	-	251,458,746
<b>Consolidated liabilities</b>	<b>P24,664,995</b>	<b>P4,301,051</b>	<b>P518,421,397</b>	<b>P286,148,060</b>	<b>P-</b>	<b>P5,535,881</b>	<b>P839,071,384</b>

**NOTE 7 - CASH ON HAND AND IN BANKS**

	<u>2011</u>	<u>2010</u>
Cash on hand	P24,946,770	P20,501,977
Cash in banks	<u>83,532,937</u>	<u>53,274,425</u>
	<u>P108,479,707</u>	<u>P73,776,402</u>

Cash in banks earn interest at the respective bank deposit rates. Finance income earned from cash in banks amounted to P642,087, P95,032 and P3,837,569 for the years ended December 31, 2011, 2010 and 2009, respectively.

Cash on hand represents funds being used by the Group in purchasing its inventories.

**NOTE 8 - TRADE AND OTHER RECEIVABLES, NET**

	<u>2011</u>	<u>2010</u>
Trade	P503,892,252	P201,273,435
Deposit to suppliers	108,691,637	92,528,110
Others	<u>50,101,324</u>	<u>8,177,463</u>
	662,685,213	301,979,008
Allowance for bad debts	<u>(4,868,451)</u>	<u>(3,215,517)</u>
	<u>P657,816,762</u>	<u>P298,763,491</u>

The movements of allowance for bad debts are as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance	P3,215,517	P-
Impairment loss for the year (Note 27)	<u>1,652,934</u>	<u>3,215,517</u>
Ending balance	<u>P4,868,451</u>	<u>P3,215,517</u>

Trade receivables are normally due within 15-30 days and do not bear any interest. All trade receivables are subject to credit risk exposure. Aging analysis of trade and other receivables as of December 31, 2011 and 2010 is included in Note 5.

Deposit to suppliers represents advance payments that will be settled by delivery of inventories to the Group.

Others represent cash advances given to consultants that will be used in the site inspection and development of TBC stores and will be reclassified to proper accounts once liquidated.

The allowance for bad debts during the year is based on specific impairment assessments performed by the Group.



## NOTE 9 - INVENTORIES

	2011	2010
Vegetables and fruits	P91,292,220	P67,808,391
Packaging materials and other supplies	60,400,219	6,802,780
Finished goods	3,749,850	2,925,405
	<u>P155,442,289</u>	<u>P77,536,576</u>

The inventories recognized as expense in 2011, 2010 and 2009 amounted to P1,729,360,716, P1,307,847,650 and P865,966,271, respectively (Note 24).

There were no unusual purchase commitments and accrued net losses on such commitments.

## NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

	2011	2010
Prepayments	P14,179,257	P9,337,893
Input value added taxes (VAT)	14,496,987	9,025,232
Prepaid rent	1,305,966	1,305,966
Deferred MCIT (Note 29)	700,624	-
Creditable withholding tax	13,759	1,203,529
Other current asset	885,803	1,460,543
	<u>P31,582,396</u>	<u>P22,333,163</u>

Prepayments represent prepaid insurance for crops and vehicles.

## NOTE 11 - BIOLOGICAL ASSETS

	2011		
	Consumable	Bearer	Total
Beginning balance	P178,086,950	P276,772,573	P454,859,523
Transfers from advances to projects (Note 12)	243,903,294	272,643,181	516,546,475
Harvested agricultural produce (Note 24)	(183,800,536)	(223,706,949)	(407,507,485)
Loss due to natural calamities (Note 27)	(21,504,832)	-	(21,504,832)
Gain on changes in fair value of biological assets (Note 25)	69,373,756	86,082,618	155,456,374
	<u>P286,058,632</u>	<u>P411,791,423</u>	<u>P697,850,055</u>
	2010		
	Consumable	Bearer	Total
Transfers from advances to projects (Note 12)	P188,217,909	P207,261,253	P395,479,162
Gain (loss) on changes in fair value of biological assets (Note 25)	(10,130,959)	69,511,320	59,380,361
	<u>P178,086,950</u>	<u>P276,772,573</u>	<u>P454,859,523</u>

Biological assets are classified into current and noncurrent as follows:

		2011		
		Consumable	Bearer	Total
Current		P286,058,632	P340,411,838	P626,470,470
Noncurrent		-	71,379,585	71,379,585
		<u>P286,058,632</u>	<u>P411,791,423</u>	<u>P697,850,055</u>
		2010		
		Consumable	Bearer	Total
Current		P178,086,950	P252,998,223	P431,085,173
Noncurrent		-	23,774,350	23,774,350
		<u>P178,086,950</u>	<u>P276,772,573</u>	<u>P454,859,523</u>

An analysis of the gain (loss) from changes in the fair value of biological assets is shown below:

		2011		
		Consumable	Bearer	Total
Fair value of biological assets		P357,573,290	P514,739,279	P872,312,569
Estimated point-of-sale costs		<u>(71,514,658)</u>	<u>(102,947,856)</u>	<u>(174,462,514)</u>
Fair value less point-of-sale costs of biological assets		286,058,632	411,791,423	697,850,055
Remaining initial costs/transfers from advances to projects in prior year		26,642,979	(49,117,380)	(22,474,401)
Initial costs/transfers from advances to projects during the year		<u>(243,903,294)</u>	<u>(272,643,181)</u>	<u>(516,546,475)</u>
Gain (loss) on changes in fair value of biological assets		68,798,317	90,030,862	158,829,179
Remaining gain (loss) on changes in fair value recognized in prior year		<u>575,439</u>	<u>(3,948,244)</u>	<u>(3,372,805)</u>
Gain (loss) on changes in fair value recognized during the year (Note 25)		<u>P69,373,756</u>	<u>P86,082,618</u>	<u>P155,456,374</u>
		2010		
		Consumable	Bearer	Total
Fair value of biological assets		P222,608,688	P345,965,716	P568,574,404
Estimated point-of-sale costs		<u>(44,521,738)</u>	<u>(69,193,143)</u>	<u>(113,714,881)</u>
Fair value less point-of-sale costs of biological assets		178,086,950	276,772,573	454,859,523
Initial costs/transfers from advances to projects		<u>(188,217,909)</u>	<u>(207,261,253)</u>	<u>(395,479,162)</u>
Gain (loss) on changes in fair value recognized during the year (Note 25)		<u>(P10,130,959)</u>	<u>P69,511,320</u>	<u>P59,380,361</u>

Consumable biological assets include rice, corn, pineapple and mushroom. Aside from producing crops, the Group is also engaged in introduction, field-testing and commercialization of new and imported crop varieties that are high yielding. Relevant data on agricultural activities pertaining to consumable biological assets is shown below.

Consumables	Utilized area (ha)	
	2011	2010
Rice	895	520
Corn	763	130
Banana	100	-
Onion	20	-
Mushroom	1	7
Cassava	900	-

The Group's bearer biological assets include vegetable bearing plants, mango and other fruit trees. A total of 15,200 mango trees are managed by the BCHAC in Central Luzon and Mindanao. Demo farms have been set-up in different parts of Luzon for fruit and vegetable growing. Other relevant data on agricultural activities pertaining to bearer biological assets is shown below.

Bearer biological assets	Utilized area (ha)	
	2011	2010
Highland and lowland vegetables	573	109

*The Group's financial condition and results of operations may be adversely affected by any disruptions in the supply of, or the price fluctuations, for its major products.*

The Group procures its vegetables and fruits (mangoes, banana, and pineapple) from various sources, ranging from small farmers to cooperatives and big producers. Currently, part of the Group's internal supply requirement is provided for by its farming subsidiary, BCHAC. As a policy, volume and quality is the main consideration in the sourcing of all the products handled by the Parent Company. However, the risk of supply shortage poses significant threat to the continuity of business operations and ultimately, to the results of operations of the Group. To mitigate supply risks, the Group does the following:

- Observes an "open line" type of communication with all its suppliers, maintaining 24/7 constant coordination and accessibility with key personnel including the Parent Company's top management. This enables the Purchasing Division to realign sourcing activities and locations in a timely and appropriate manner should supply issues arise.
- The Group, owing to its long standing stature in the fresh foods industry, is able to attract reputable and reliable long-term suppliers. The strong relationship with its suppliers, built over years of mutually beneficial dealings, allows the Group and its suppliers to address and resolve any supply concerns that may arise, from time to time, through mutual cooperation. The Group believes that "Friendship beyond Business" works.
- The establishment of cold storage facilities (i.e. Pulilan (Central Luzon) central packing house and Cagayan central depot (Mindanao)) in the last quarter of 2009, provides the Parent Company with the capacity to effectively store large volumes of fresh vegetables. Thus, the Group is better able to mitigate the risks inherent in the seasonality of supplies for certain types of produce. The cold storage prolongs shelf life and enables the Group to maintain a buffer stock for these produce.

- The Group is currently expanding its cold storage facilities to dramatically increase its capacity to stock supplies.
- The Group intends to intensively develop the farmlands being managed by its wholly-owned subsidiary BCHAC. The Group intends to develop and operate 5,000 hectares of productive farmland, which would significantly reduce or eliminate its dependence on third party sources for its supplies and improve its ability to control its quality and prices.

#### *The Group's business is affected by seasonality*

The demand for and supply of many fruits and vegetables is seasonal, and the price of any particular commodity may change significantly, depending on the season. Market demand is especially strong during the yuletide season in the last quarter of the calendar year. Because of seasonality, the results of operations of the Group may fluctuate significantly from one quarter to another.

To mitigate the risks of seasonality of supplies and prices, the Group has diversified its source or products geographically, so seasonal fluctuations in one region can be offset by those in another region. The setting-up of additional cold storage facilities also allows the Group to stock up on certain produce when they are "in season" and therefore are relatively inexpensive, so such produce can be sold in the market when they are "off season" and can command higher prices and provide wider gross profit margins.

#### *Risk of inadequate supply in the event of inclement weather*

Inclement weather is traditionally a major source of uncertainty in the agriculture industry. Its inherent volatility and the occurrence of extreme weather events due to global climate change impacts greatly the performance and management of the Group's farming and trading operations. For example, the El Nino and La Nina phenomena, characterized by alternating cycles of inadequate and excessive rainfall, respectively, have in the past posed significant challenges to growers and traders like. At present, the Philippines is in the middle of what has been described as a mild El Nino event and is experiencing less than normal rainfall in numerous parts of the country.

To manage this risk, the Group implements a geographical diversification strategy where its operations are spread across the country, depending on the existing season (wet or dry) to ensure continued production and trading. As such, the Group is able to step up operations in farms, buying stations and raw material trading posts in the Visayas and Mindanao to offset the cutback in the Luzon area before the typhoon season begins. The Group believes that its nationwide presence has allowed for a stable and reliable conduct of operations all year round.

Moreover, as a farming practice, the Group adapts to the existing season to determine the crops to be planted and produced (i.e. rice production during wet season), thus enabling its farms to remain productive every month of the year. In addition, this crop rotation method is able to prevent depletion of nutrients of the soil and immunity of domestic pest.

#### *Risks of pest and insect infestation*

Pest and disease infestation affect both the quantity and quality of commodities available for the market. If not addressed appropriately, infestation may translate to decreased crop yield and farm output, as well as uncertainty in commodity prices. Infestation may also render the Group's products unacceptable to both domestic and export products, and could adversely affect its results of operations.

The Group mitigates this risk by adopting a mix of modern pest control systems, good agricultural practices (such as crop rotation) and the use of a mixture of organic fertilizers in its production farms. The Group also sources its supply requirements from farms and buying stations located in different provinces and regions of the country. This way, no widespread infestation would drastically weaken the Group's supply chain at any time. The Group's nationwide diversified geographical locations allow its farm production and trading activities to easily shift the bulk of its key operations from one region to another should the need arise.

Considering that an active market exists for the biological assets, the market rates were used to determine the value of the projected yield. The present value of the projected yield was computed and reduced accordingly by deducting estimated incremental costs, spoilage and costs to sell to arrive at the fair value of the assets. Gain or loss from changes in fair value was recognized as the 'difference between the fair value and the accumulated costs to prepare the asset.

Further, the accumulated costs to prepare the assets are originally lodged under 'Advances to Projects'. When the project starts operations, the accumulated costs are reclassified to 'Biological Assets' subject to fair valuation at the end of the period.

There are no biological assets whose title is restricted and pledged as security for liabilities.

#### NOTE 12 - ADVANCES TO PROJECTS

This account represents cash advances provided for farm projects and other projects related to brand building and management, business, property and plant/commissary development as follows:

	2011	2010
Farm projects	P88,848,343	P64,255,063
Other projects	261,758,011	-
Total advances to projects	<u>P350,606,354</u>	<u>P64,255,063</u>

The reconciliation of the changes in the carrying amount of the advances to projects between the beginning and end of the reporting period is as follows:

##### a.) Farm projects

2011				
Farm Location	At January 1	Additions	Reclassification to biological assets (Note 11)	At December 31
Region 1	P-	P54,139,755	(P54,139,755)	P-
Region 3	42,972,930	207,598,629	(200,768,216)	49,803,343
Region 4	13,327,023	208,524,869	(200,351,892)	21,500,000
Region 7	-	4,700,000	(4,700,000)	-
Region 8	-	600,000	(600,000)	-
Region 9	7,955,110	12,214,890	(20,170,000)	-
Region 10	-	24,061,612	(23,816,612)	245,000
Region 11	-	13,300,000	-	13,300,000
Region 12	-	16,000,000	(12,000,000)	4,000,000
Total	<u>P64,255,063</u>	<u>P541,139,755</u>	<u>(P516,546,475)</u>	<u>P88,848,343</u>

2010				
Farm Location	At January 1	Additions	Reclassification to biological assets (Note 11)	At December 31
Region 3	P51,762,422	P195,904,017	(P204,693,509)	P42,972,930
Region 4	1,650,000	88,616,731	(76,939,708)	13,327,023
Region 8	-	97,975,855	(97,975,855)	-
Region 9	-	23,825,200	(15,870,090)	7,955,110
Total	P53,412,422	P406,321,803	(P395,479,162)	P64,255,063

**b.) Other projects**

	2011	2010
Brand building and management	P66,758,011	P-
Business, property and plant or commissary development	195,000,000	-
Total	P261,758,011	P-

Other projects represent advances for the development of TBC's commissary, locations of stalls and markets. In addition, this also represents the development of the manufacturing plant for fruit juices including but not limited to coco juice.

# NOTE 13 - PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
<b>Cost</b>									
<b>At January 1, 2010</b>	P33,917,000	P56,765,227	P6,265,116	P10,870,710	P41,986,614	P4,105,345	P2,729,494	P7,731,811	P164,371,317
Additions	47,875,830	48,407,335	13,469,830	35,669,690	157,321,726	10,577,578	64,752,600	15,714,080	393,788,669
Reclassifications	-	-	-	-	258,917	11,807	17,198	(287,922)	-
<b>At December 31, 2010</b>	81,792,830	105,172,562	19,734,946	46,540,400	199,567,257	14,694,730	67,499,292	23,157,969	558,159,986
Additions	650,000	-	50,548,776	23,290,068	71,267,766	6,050,659	41,751,136	-	193,558,405
Disposal	-	-	-	(801,556)	-	-	-	-	(801,556)
Reclassifications	-	10,987,183	(8,187,306)	-	11,214,345	(101,909)	-	(23,157,969)	(9,245,656)
<b>At December 31, 2011</b>	82,442,830	116,159,745	62,096,416	69,028,912	282,049,368	20,643,480	109,250,428	-	741,671,179
<b>Accumulated depreciation</b>									
<b>At January 1, 2010</b>	-	1,910,559	3,366,808	4,133,340	4,134,171	2,564,242	2,500,687	-	18,609,807
Provision	-	2,106,817	1,225,852	3,036,859	7,600,906	1,696,977	2,212,717	-	17,880,128
Reclassifications	-	-	-	-	(3,933)	2,500	1,433	-	-
<b>At December 31, 2010</b>	-	4,017,376	4,592,660	7,170,199	11,731,144	4,263,719	4,714,837	-	36,489,935
Provision	-	5,287,867	2,390,943	5,143,456	16,717,313	2,357,983	16,721,042	-	48,618,604
Disposal	-	-	-	(801,556)	-	-	-	-	(801,556)
Reclassifications	-	-	1,992,749	-	2,732,390	210,708	-	-	4,935,847
<b>At December 31, 2011</b>	-	9,305,243	8,976,352	11,512,099	31,180,847	6,832,410	21,435,879	-	89,242,830
<b>Net book value</b>									
<b>At December 31, 2011</b>	<b>P82,442,830</b>	<b>P106,854,502</b>	<b>P53,120,064</b>	<b>P57,516,813</b>	<b>P250,868,521</b>	<b>P13,811,070</b>	<b>P87,814,549</b>	<b>P-</b>	<b>P652,428,349</b>
<b>At December 31, 2010</b>	<b>P81,792,830</b>	<b>P101,155,186</b>	<b>P15,142,286</b>	<b>P39,370,201</b>	<b>P187,836,113</b>	<b>P10,431,011</b>	<b>P62,784,455</b>	<b>P23,157,969</b>	<b>P521,670,051</b>

Construction in progress pertains to the total capitalized expenditures with respect to the building being constructed in Pulilan, Bulacan. In 2011, the construction in progress was completed and transferred to the relevant fixed asset group accounts with a total carrying amount of P23,157,969.

Some of the Group's property plant and equipment were used as collateral for the interest-bearing loans and borrowings (Note 15).

Management believes that there is no indication that an impairment loss has occurred on its property, plant and equipment.

## NOTE 14 - INTANGIBLE ASSETS, NET

	Trademark	Goodwill	Computer Software	Franchise	Total
<b>Cost/Revalued amount</b>					
At January 1, 2010	P227,709	P19,509,913	P-	P-	P19,737,622
<b>Additions:</b>					
Separate acquisition	-	-	598,080	-	598,080
Business combination (Note 30)	-	10,479,501	-	-	10,479,501
Change in fair value during the period	778,815,461	-	-	-	778,815,461
At December 31, 2010	779,043,170	29,989,414	598,080	-	809,630,664
<b>Additions</b>					
Separate acquisition	-	-	322,644	9,049,750	9,372,394
Business combination	200,000,000	-	-	-	200,000,000
Change in fair value during the period	-	-	-	-	-
At December 31, 2011	979,043,170	29,989,414	920,724	9,049,750	1,019,003,058
<b>Accumulated amortization</b>					
At January 1, 2010	20,399	-	-	-	20,399
Amortization for the period	22,771	-	66,227	-	88,998
At December 31, 2010	43,170	-	66,227	-	109,397
Amortization for the period	-	-	211,124	-	211,124
At December 31, 2011	43,170	-	277,351	-	320,521
<b>Net book value</b>					
December 31, 2011	P979,000,000	P29,989,414	P643,373	P9,049,750	P1,018,682,537
December 31, 2010	P779,000,000	P29,989,414	P531,853	P-	P809,521,267

Amortization of intangible assets for the years ended December 31, 2011, 2010 and 2009 amounted to P211,124, P88,998 and P20,399, respectively, which were included in depreciation and amortization account under operating expenses of the consolidated statements of income.

### *Trademark*

As part of the acquisition of FCAC on 2007, the Group registered the trademark Fresh Choice Always (FCA) with the Intellectual Property Office of the Philippines - Bureau of Trademarks on September 17, 2008, in an attempt to create brand recognition for the Group which was subsequently approved on March 9, 2009 by the said office. Initial capitalized cost amounted to P227,709 upon approval of the said trademark in 2009.

In January 2011, the Group has engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the SEC requirements. Based on CBREPI's report dated March 11, 2011, the value of the said trademark amounted to P779,000,000 as of December 31, 2010. This has resulted to the increase in the value of the trademark amounting to P778,815,461 and a corresponding increase in revaluation surplus and deferred tax liability amounting to P545,170,823 and P233,644,638, respectively, as of December 31, 2010 (Notes 20 and 29). The method and assumptions used in the said valuation are set out in Note 3.

As of December 31, 2011, the carrying amount of the revalued FCA trademark amounted to P779,000,000. Had it been measured after recognition using the cost model, the carrying amount that would have been recognized by the Group as of December 31, 2011 is P161,768.



On August 19, 2011, the Parent Company acquired 51% of the outstanding capital stock of TBC directly from its former owners, FAB. Total consideration on the purchase is P20,000,000. At the date of acquisition, the Parent Company had the Big Chill brand valued by CBRE. Based on the valuation conducted by independent valutors, the value of "The Big Chill" brand is P200,000,000. As of December 31, 2011, the carrying amount of "The Big Chill" trademark is P200,000,000 which is the same as the carrying amount that would have been recognized had it been measured after recognition using the cost model.

#### *Franchise*

On January 17, 2011, the Company entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but may be extended for another 10 years. Under the agreement, the Parent Company paid US\$200,000 (equivalent to P9,049,750) as a sign-up fee. This amount is presented under intangible assets as "Franchise". For each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of US\$2,500 - US\$15,000. Furthermore, the Group shall pay containing fees equivalent to 5% of net revenues of each coffee house. The method and assumptions used in the said valuation are set out in Note 3.

#### *Goodwill*

Goodwill represents the excess of the consideration given over the fair value of the net identifiable assets acquired. The goodwill recorded as of December 31, 2011 and 2010 came from the acquisition of the following:

Acquired subsidiaries	IMEX	LFVPI	FCAC	FG	HAPC	WTC	SSIC	
Year acquired	2005	2005	2007	2007	2010	2010	2010	Total
Total consideration transferred	P39,850	P24,500	P56,504,838	P750,000	P12,106,955	P6,943,520	P1,735,880	P78,105,543
Net identifiable liability (assets) at acquisition date	(5,000)	(6,250)	(39,198,434)	1,400,410	(7,914,564)	(3,136,929)	(1,553,837)	(50,414,604)
Percentage of interest acquired	100%	100%	100%	100%	100%	51%	51%	
Fair value of net identifiable liability (assets) acquired	(5,000)	(6,250)	(39,198,434)	1,400,410	(7,914,564)	(1,599,834)	(792,457)	(48,116,129)
Goodwill arising from business combination	P34,850	P18,250	P17,306,404	P2,150,410	P4,192,391	P5,343,686	P943,423	P29,989,414

## NOTE 15 - INTEREST-BEARING LOANS AND BORROWINGS

This account pertains to the outstanding balances of short-term and long-term interest-bearing loans and borrowings obtained by the Group from various banks and a financing institution, for its working capital requirements and machinery and equipment acquisition.

	2011	2010
Land Bank of the Philippines (LBP)	P412,853,466	P49,000,000
Banco De Oro (BDO)	195,000,000	100,000,000
Mega International Commercial Bank (MICB)	139,612,000	55,254,652
China Trust and Banking Corporation	108,117,400	69,930,295
Bank of the Philippine Islands (BPI)	98,625,000	131,538,900
United Coconut Planters Bank (UCPB)	49,906,771	50,000,000
Malayan Bank (MB)	20,000,000	-
Orix Metro Leasing Finance Corporation (ORIX)	16,663,810	20,998,213
Bank of Commerce (BOC)	-	42,720,140
Total	1,040,778,447	519,442,200
Less current portion	(788,278,447)	(519,442,200)
Interest-bearing loans, net of current portion	P252,500,000	P-

Out of the current portion of loans, the Group has been able to settle P682,928,409 for the first quarter of 2012.

The pertinent provisions of the loan agreements with the lenders are as follows:

Lenders	Term	Security	Net book value of security
BDO*	6 months	Unsecured	
MICB	6 months	Unsecured	
BPI	6 months	Unsecured	
LBP*	6 months	Real estate mortgage of ANI's land and building in Pulilan, Bulacan	P54,125,800
Chinatrust	3 - 6 months	Unsecured	
UCPB	6 months	Unsecured	
ORIX**	3 years***	Machinery and equipment	13,125,000

\* Subject to quarterly repricing at the prevailing market interest rates.

\*\* Equivalent to Philippine Dealing Exchange Rate of 9.16% or an average one-year rate plus 7.63% per annum, and is subject to annual repricing.

\*\*\*Loan is currently maturing.

Interest rates on the said loans and borrowings starts from 4.7% per annum for peso loans and 2.25% per annum for US Dollar loans. Finance costs charged to operations amounted to P49,950,841, P16,687,620 and P20,340,457 in 2011, 2010 and 2009, respectively. The details of finance costs are as follows:

	2011	2010
Short term loans	P39,890,841	P16,687,620
Long term loans	10,060,000	-
	P49,950,841	P16,687,620

Management estimates that the carrying amount of its interest-bearing loans and borrowings approximates its fair value.

#### NOTE 16 - TRADE AND OTHER PAYABLES

	2011	2010
Trade	P70,448,987	P47,144,137
Accrued expenses	21,510,388	1,107,106
Customers' deposit	11,119,993	4,045,645
Government dues and remittances	7,659,918	1,401,208
	<u>P110,739,286</u>	<u>P53,698,096</u>

The average credit period on purchases of certain goods from suppliers is 30 days from date of invoice. Outstanding payables do not bear interest. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Accrued expenses pertain to accrued salaries and interest.

Customers' deposit represents deposit for freight and will be paid to the freight forwarders.

Government dues and remittances represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

#### NOTE 17 - PENSION BENEFITS

The Group maintains an unfunded, non-contributory defined benefit pension plan covering all qualified employees. Normal pension benefits are equal to the employees' pension pay as defined in Republic Act No. 7641 multiplied by his years of service. Normal pension date is the attainment of age 60 and completion of at least five years of service.

The following tables summarize the components of net pension cost recognized in the consolidated statements of income and the amounts recognized in the Group's consolidated statements of financial position:

Movement in the net pension liability recognized in the Group's consolidated statements of financial position is as follows:

	2011	2010
Pension liability at January 1	P950,645	P733,215
Pension cost for the period	1,150,263	217,430
Pension liability at December 31	<u>P2,100,908</u>	<u>P950,645</u>

The reconciliation of the present value of the defined benefit obligation is as follows:

	2011	2010
Present value of obligation at January 1	P1,057,517	P388,686
Current service cost	876,368	196,896
Interest cost	273,815	42,367
Actuarial loss	1,225,749	429,568
Present value of obligation at December 31	<u>P3,433,449</u>	<u>P1,057,517</u>

Total pension cost recognized in the Group's consolidated statements of income in respect of this defined benefit plan is as follows:

	2011	2010	2009
Current service cost	P876,368	P196,896	P86,402
Interest cost	273,815	42,367	103,561
Net actuarial loss (gain)	80	(21,833)	17,958
Pension cost	<u>P1,150,263</u>	<u>P217,430</u>	<u>P207,921</u>

The amount included in the present value of obligation arising from the Group's obligations in respect of its defined pension benefit plan is as follows:

	2011	2010
Present value of defined benefit obligation	P3,433,449	P1,057,517
Unrecognized actuarial gains	<u>(1,332,541)</u>	<u>(106,872)</u>
	<u>P2,100,908</u>	<u>P950,645</u>

The key actuarial assumptions used as at the financial reporting dates are as follow:

	2011	2010	2009
Discount rate	7.00%	9.90%	10.90%
Salary increase rate	5.00%	5.00%	3.00%
Average remaining working life of plan members	15 years	14 years	14 years

#### NOTE 18 - RELATED PARTY TRANSACTIONS

Below are the details of all intra-company balances, receivables and payables, income and expenses, profits and losses resulting from intra-company transactions that are recognized in the separate financial statements of the Parent Company and its subsidiaries.

##### a. Advances

	Advances to related parties		Advances from related parties	
	2011	2010	2011	2010
Officers and employees	P17,530,521	P6,632,028	P289,837	P9,820
Stockholders	-	35,124,955	-	205,388
	<u>P17,530,521</u>	<u>P41,756,983</u>	<u>P289,837</u>	<u>P215,208</u>

Advances to and from stockholders, officers and employees represent advances made in carrying out the day-to-day operations of the Group and are subject to liquidation upon utilization. The advances to/from related parties are non-interest bearing, unsecured and are payable on demand.

**b. Significant contracted agreements**

In relation to its loan agreements, the Parent Company and FCAC have entered into a suretyship agreement with the bank to act as sureties of each other. The Parent Company, being a surety, jointly and severally and irrevocably:

- (i) Secures the due and full payment and performance of the obligations incurred by FCAC; and
- (ii) Undertakes with the bank that upon nonpayment or nonperformance of FCAC when the obligation falls due, it shall, without need for any notice, demand or any other act or deed, immediately be liable and pay as if the principal obligor.

As a surety, the Parent Company also pledged, as security for the full and due payment and performance of the obligation, all its money and other properties.

For the years ended December 31, 2011 and 2010, the Group has not recorded any impairment of receivable relating to the amounts owed by the related parties. The assessment is undertaken through examining the financial position of the related parties and the market in which they operate.

**c. Note receivable**

This represents a note receivable from its major stockholder in the amount of P58,000,000 as of December 31, 2011 and 2010 and is secured by a land located at Pulilan, Bulacan. The Parent Company is now in the process of transferring the title to the Group. The note is non-interest bearing and repayable on demand.

**d. Remuneration of key management personnel**

The short-term benefits of the directors and other members of key management personnel of the Group amounted to P13,350,334, P8,832,000 and P3,045,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

**e. Dividends**

On December 16, 2011, the BOD of the following subsidiaries approved to declare cash dividends for stockholders of record as of December 31, 2011. The details are as follows:

	<u>Dividends declared</u>	<u>Dividends receivable</u>
Parent Company	P-	P182,250,000
FCAC	26,000,000	25,300,000
FG	16,800,00	-
LFVPI	8,500,000	-
IMEX	26,250,000	-
BCHAC	130,000,000	-

## NOTE 19 - SHARE CAPITAL

	2011		2010		2009	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized - P1 par value per share	<u>300,000,000</u>	<u>P300,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>
Issued and outstanding	<u>261,060,867</u>	<u>P261,060,867</u>	<u>217,993,119</u>	<u>P217,993,119</u>	<u>191,868,445</u>	<u>P191,868,445</u>
Subscribed shares	<u>10,350,000</u>	<u>P10,350,000</u>	<u>-</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>

All of the subscribed shares with a total par value of P10,350,000 were not yet paid including its share premium of P93,150,000 as of December 31, 2011.

Out of the total shares issued and outstanding, P10,631,467 is allotted to and fully paid for by the Group's directors, employees and consultants under the Stock Purchase Plan.

The capital stock of the Parent Company consists only of common shares. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting.

Movements of the issued and outstanding common shares are as follow:

	2011		2010		2009	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized shares	<u>300,000,000</u>	<u>P300,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>	<u>300,000,000</u>	<u>P300,000,000</u>
Listed shares						
At January 1	195,303,871	P195,303,871	178,536,602	P178,536,602	178,536,602	P178,536,602
Additional listed shares issued	<u>44,914,046</u>	<u>44,914,046</u>	<u>16,767,269</u>	<u>16,767,269</u>	<u>-</u>	<u>-</u>
At December 31	<u>240,217,917</u>	<u>240,217,917</u>	<u>195,303,871</u>	<u>195,303,871</u>	<u>178,536,602</u>	<u>178,536,602</u>
Issued but not listed shares						
At January 1	22,689,248	22,689,248	13,331,843	13,331,843	-	-
Issued during the year	<u>43,067,748</u>	<u>43,067,748</u>	<u>8,257,405</u>	<u>8,257,405</u>	<u>7,931,843</u>	<u>7,931,843</u>
Listed during the year	<u>(44,914,046)</u>	<u>(44,914,046)</u>				
Warrants exercised	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>5,400,000</u>	<u>5,400,000</u>
At December 31	<u>20,842,950</u>	<u>20,842,950</u>	<u>22,689,248</u>	<u>22,689,248</u>	<u>13,331,843</u>	<u>13,331,843</u>
Total issued and outstanding, December 31	<u>261,060,867</u>	<u>P261,060,867</u>	<u>217,993,119</u>	<u>P217,993,119</u>	<u>191,868,445</u>	<u>P191,868,445</u>
Unissued shares	<u>25,439,133</u>	<u>P25,439,133</u>	<u>68,506,881</u>	<u>P68,506,881</u>	<u>93,531,555</u>	<u>P93,531,555</u>
Unissued warrants						
At January 1	13,500,000	P13,500,000	14,600,000	P14,600,000	20,000,000	P20,000,000
Warrants issued and exercised	<u>-</u>	<u>-</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(5,400,000)</u>	<u>(5,400,000)</u>
At December 31	<u>13,500,000</u>	<u>P13,500,000</u>	<u>13,500,000</u>	<u>P13,500,000</u>	<u>14,600,000</u>	<u>P14,600,000</u>

The Parent Company allotted P6,500,000 warrants to its directors and officers. Warrants exercised in exchange for common shares in 2011 and 2010 amounted to Nil and P1,100,000, respectively.

## NOTE 20 - SHARE PREMIUM AND RESERVES

	2011	2010	2009
Share premium	P999,647,940	P675,502,960	P306,832,220
Revaluation surplus (Note 14)	545,170,823	545,170,823	-
Translation reserve	694,595	-	-
Retained earnings			
Appropriated	-	19,000,000	19,000,000
Unappropriated	332,810,373	119,958,011	28,621,505
	<u>P1,878,323,731</u>	<u>P1,359,631,794</u>	<u>P354,453,725</u>

### *Share premium*

The movements of share premium are as follows:

	2011	2010	2009
At January 1	675,502,960	P306,832,220	P-
Issuance of common shares during the year	324,144,980	368,670,740	306,832,220
	<u>P999,647,940</u>	<u>P675,502,960</u>	<u>P306,832,220</u>

Share premium arises from amount subscribed for share capital in excess of par value. The Parent Company issued additional 43,067,748, 26,124,674 and 13,331,843 shares of stock at a premium in 2011, 2010 and 2009, respectively, which resulted to an aggregate increase in share premium of P324,144,980, P368,670,740 and P306,832,220 in 2011, 2010 and 2009, respectively.

### *Revaluation surplus*

The revaluation surplus of P545,170,823 arose on the revaluation of the FCA trademark that was carried at revalued amounts of P778,815,461 (Note 14), net of tax effect of P233,624,235 (Note 29). When revalued assets are sold, the portion of the revaluation surplus reserve that relates to that asset is transferred directly to retained earnings (see Note 14).

### *Translation reserves*

Translation reserves, in the Philippine Peso financial statements, include all exchange differences resulting from the translation of financial statements of subsidiaries operating in other countries, namely SSCI and WTC, from the functional currency to the presentation currency.

	2011	2010
At January 1	P-	P-
Net exchange difference from translation to presentation currency for the year attributable to Parent Company	694,595	-
At December 31	<u>P694,595</u>	<u>P-</u>

### *Retained earnings*

The appropriation of retained earnings pertains to the approval of FCAC's BOD on March 10, 2009 to appropriate accumulated retained earnings which amounted to P19,000,000 for future dividend payments. During 2011, FCA paid dividends which resulted to the reversal of the appropriated amount.

Unappropriated retained earnings include all unappropriated current and prior period results attributable to the owners of the Parent Company.

## NOTE 21 - NON-CONTROLLING INTERESTS

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

2011						
	Share in net assets on acquisition date	Share in post-acquisition changes in equity				Total
		Retained earnings	Profit for the year	Other comprehensive income	Deposit for future subscription	
FGP	P1,225,000	P69,969	P14,680	P-	P-	P1,309,649
OBT	306,250	69,161	33,577	-	-	408,988
FI	20,000	-	54,605	-	-	74,605
FFCI	539,000	339,415	558,719	-	-	1,437,134
QLTS	539,000	365,241	1,568,211	-	-	2,472,452
WTC	1,537,095	1,780,388	16,832,079	630,474	-	20,780,036
SSIC	761,380	113,746	2,335,578	36,881	-	3,247,585
TBC	96,982,070	-	851,563	-	48,742,000	146,575,633
	<u>P101,909,795</u>	<u>P2,737,920</u>	<u>P22,249,012</u>	<u>P667,355</u>	<u>P48,742,000</u>	<u>P176,306,082</u>

2010						
	Share in net assets on acquisition date	Share in post-acquisition changes in equity				Total
		Retained earnings	Profit for the year	Other comprehensive income	Deposit for future subscription	
FGP	P1,225,000	P-	P69,969	P-	P-	P1,294,969
OBT	306,326	-	69,161	-	-	375,487
FI	20,000	-	-	-	-	20,000
FFCI	490,000	-	339,415	-	-	829,415
QLTS	490,000	-	365,241	-	-	855,241
WTC	1,537,095	-	1,780,388	-	-	3,317,483
SSIC	761,380	-	113,746	-	-	875,126
	<u>P4,829,801</u>	<u>P-</u>	<u>P2,737,920</u>	<u>P-</u>	<u>P-</u>	<u>P7,567,721</u>

Other comprehensive income pertains to net exchange difference from translation to presentation currency for the year attributable to non-controlling interests.

## NOTE 22 - EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit (loss) for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The financial information pertinent to the derivation of the basic earnings (loss) per share for the years ended December 31, 2011, 2010 and 2009, are as follows:

	2011	2010	2009
Profit attributable to equity holders of the Parent Company	P193,852,362	P90,813,545	P35,689,967
Weighted average number of shares outstanding	<u>237,931,280</u> <u>P0.81</u>	<u>199,642,186</u> <u>P0.45</u>	<u>178,828,807</u> <u>P0.20</u>



There were no dilutive potential ordinary shares for the years ended December 31, 2011, 2010 and 2009. Therefore, the Company's basic and diluted earnings per share for the years ended December 31, 2011, 2010 and 2009 are equal.

The reconciliation of the average number of shares outstanding as of the financial reporting date is as follows:

2011			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2011	217,993,119	217,993,119	217,993,119
April 20, 2011	14,824,798	232,817,917	10,357,051
May 16, 2011	7,400,000	240,217,917	4,642,740
August 19, 2011	6,192,950	246,410,867	2,273,576
October 3, 2011	7,750,000	254,160,867	1,889,726
November 5, 2011	3,450,000	257,610,867	529,315
December 5, 2011	3,450,000	261,060,867	245,753
	<u>261,060,867</u>		<u>237,931,280</u>
2010			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2010	191,868,445	191,868,445	191,868,445
February 8, 2010	3,435,426	195,303,871	3,068,353
August 7, 2010	3,968,253	199,272,124	1,587,301
September 8, 2010	2,655,000	201,927,124	829,233
November 9, 2010	16,065,995	217,993,119	2,288,854
	<u>217,993,119</u>		<u>199,642,186</u>
2009			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2009	178,536,602	178,536,602	178,536,602
December 23, 2009	13,331,843	191,868,445	292,205
	<u>191,868,445</u>		<u>178,828,807</u>

#### NOTE 23 - REVENUE

	2011	2010	2009
Sale of goods	P2,216,428,342	P1,574,432,985	P1,017,682,209
Service income	37,331,897	10,578,774	-
	<u>P2,253,760,239</u>	<u>P1,585,011,759</u>	<u>P1,017,682,209</u>

Sale of goods account pertains to agricultural produce and other related products.

Service income account pertains to logistic services.

#### NOTE 24 - COST OF SALES AND SERVICES

	2011	2010	2009
Inventories at January 1 (Note 9)	P77,536,576	P37,749,478	P34,150,232
Addition due to acquisition	6,613,413	-	-
Harvested agricultural produce (Note 11)	407,507,485	-	-
Purchases	1,393,145,531	1,347,634,748	869,565,517
Cost of goods available for sale	1,884,803,005	1,385,384,226	903,715,749
Inventories at December 31 (Note 9)	(155,442,289)	(77,536,576)	(37,749,478)
Cost of sales	1,729,360,716	1,307,847,650	865,966,271
Cost of services	5,368,138	6,456,565	-
	<u>P1,734,728,854</u>	<u>P1,314,304,215</u>	<u>P865,966,271</u>

#### NOTE 25 - OTHER OPERATING INCOME

	2011	2010	2009
Gain on changes in fair value of biological assets (Note 11)	P155,456,374	P59,380,361	P-
Gain on bargain purchase (Note 30)	32,198,522	-	-
Gain on sale of transportation equipment	125,000	-	-
Realized foreign exchange gain	379,176	-	-
Unrealized foreign exchange gain	183,945	-	-
Rental income	-	309,840	-
Other income	5,366,901	-	213,616
	<u>P193,709,918</u>	<u>P59,690,201</u>	<u>P213,616</u>

## NOTE 26 - OPERATING EXPENSES

	2011	2010	2009
Freight and handling cost	P108,281,922	P19,397,955	P30,661,029
Salaries, wages and other employee benefits	74,958,569	37,632,985	20,079,322
Depreciation and amortization (Notes 13 and 14)	48,829,728	17,365,336	5,431,998
Rental (Note 28)	22,658,527	9,706,451	937,873
Advertising	18,944,785	22,391,910	6,988,171
Repairs and maintenance	15,677,657	8,503,061	1,483,630
Communication, light and water	13,412,493	9,453,971	5,109,309
Supplies	14,896,826	13,696,804	1,451,374
Transportation and travel	11,598,440	7,868,705	2,880,761
Taxes and licenses	8,237,471	3,035,572	6,376,881
Contracted services	7,274,581	2,338,304	2,013,216
SSS, GSIS, Philhealth and other contributions	4,166,894	803,104	1,099,203
Professional fees	3,487,088	10,369,062	4,798,941
Commissions	3,184,675	277,311	629,454
Representation and entertainment	2,220,548	5,418,327	1,302,684
Dues and subscription	1,300,135	1,020,025	168,804
Trainings and seminars	1,198,246	-	-
Insurance	1,171,973	470,911	183,631
Pension (Note 17)	1,150,263	217,430	207,921
Bank charges	701,914	277,556	630,875
Store opening cost (Note 28)	646,050	-	-
Research and development	283,178	78,989	218,313
Director fees	250,000	-	-
Others	4,438,072	2,953,742	2,389,503
	<u>P368,970,035</u>	<u>P173,277,511</u>	<u>P95,043,893</u>

## NOTE 27 - OTHER OPERATING EXPENSES

	2011	2010	2009
Realized foreign exchange loss	P-	P78,285	P4,126
Impairment loss on trade and other receivables (Note 8)	1,652,934	3,215,517	-
Loss due to natural calamities (Note 11)	21,504,832	-	-
Others expenses	-	2,445,848	-
	<u>P23,157,766</u>	<u>P5,739,650</u>	<u>P4,126</u>

## NOTE 28 - AGREEMENTS AND COMMITMENTS

### a) Operating leases as lessee

The Group leases mostly in malls wherein most of the TBC stores were located. The lease ranges from one (1) to five (5) years with an average monthly rental of P1,160,000. The lease includes an annual 10% escalation clause at the lessor's discretion.

Minimum lease payments under operating leases recognized as expense for the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Minimum lease payments (Note 26)	<u>P22,658,527</u>	<u>P9,706,451</u>	<u>P937,873</u>

At the financial reporting date, the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	2011	2010
Not later than one year	P16,370,025	P9,676,752
Later than one year but not later than five years	<u>73,345,353</u>	-
	<u>P89,715,378</u>	<u>P9,676,752</u>

b) Licensing agreement

On January 17, 2011, the Company entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Parent Company paid US\$200,000 (equivalent to P9,049,750) as a sign-up fee. This amount is presented under intangibles as "Franchise". For each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of US\$2,500-US\$15,000. Furthermore, the Group shall pay contingent fees equivalent to 5% of net revenues of each coffee house.

During 2011, the Group opened its first coffee shop located at The Fort, Global City, for which the Group incurred store opening cost in the amount of US\$15,000 or P646,050 as shown in 2011 consolidated statements of income (Note 26).

## NOTE 29 - INCOME TAXES

a) Details of provision for income tax for the year are as follows:

	2011	2010	2009
Current	P26,154,504	P24,185,597	P4,637,816
Deferred	<u>29,048,870</u>	<u>17,050,934</u>	<u>50,864</u>
	<u>P55,203,374</u>	<u>P41,236,531</u>	<u>P4,688,680</u>

b) Details of deferred tax assets and liabilities as of December 31 are as follows:

	2010	Charged to operation during the year	2011
Deferred tax assets:			
Impairment loss on trade receivables	P964,655	P495,880	P1,460,535
Pension liability	<u>285,193</u>	<u>345,079</u>	<u>630,272</u>
	<u>P1,249,848</u>	<u>P840,959</u>	<u>P2,090,807</u>

Deferred tax liabilities:

Change in fair value of trademark	P233,644,638	P-	P233,644,638
Change in fair value of biological assets	17,814,108	29,834,645	47,648,753
Unrealized gain on foreign exchange	-	55,184	55,184
	<u>P251,458,746</u>	<u>P29,889,829</u>	<u>P281,348,575</u>

Deferred tax relating to the change in fair value of trademark in the amount of P233,624,235 was charged directly to other comprehensive income for the years December 31, 2011 and 2010.

Deferred tax expense recognized in consolidated statement of income amounted to P29,048,870, P17,050,934 P50,864 for the years ended December 31, 2011, 2010 and 2009, respectively, which relate to the origination and reversal of temporary differences.

The Group review deferred tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets were recognized as of December 31, 2011 and 2010 as management believes that the carry forward benefit would be realized in its future operations.

- c) The reconciliation between the profit before income tax multiplied by the statutory rate and the Group's actual provision for income tax is shown below:

	2011		
	Philippine companies	Foreign company	Total
Profit before income tax	<u>P225,283,682</u>	<u>P46,021,066</u>	<u>P271,304,748</u>
Provision for income tax computed at the statutory tax rate	P67,585,105	P6,903,160	P74,488,265
Tax effects of:			
Income subject to income tax holiday	(9,944,156)	-	(9,944,156)
Nontaxable income	(9,659,556)	-	(9,659,556)
Interest income subject to final tax	(192,626)	-	(192,626)
Tax arbitrage	39,607	-	39,607
Nondeductible expenses	471,840	-	471,840
	<u>P48,300,214</u>	<u>P6,903,160</u>	<u>P55,203,374</u>
		2010	2009
Profit before income tax		<u>P134,787,996</u>	<u>P40,378,648</u>
Provision for income tax computed at the statutory tax rate of 30%		P40,436,399	P12,113,594
Tax effects of -			
Nontaxable income		-	(7,856,640)
Interest income subject to final tax		(28,510)	(1,151,271)
Tax arbitrage		-	1,582,997
Other nondeductible items, net		828,642	-
		<u>P41,236,531</u>	<u>P4,688,680</u>

- d) The details of the MCIT recorded as deferred credits under prepayments and other current assets are as follows:

Year incurred	Beginning balance	Incurred this year	Applied this year	Ending balance	Expiry year
2011	P-	P700,624	P-	P700,624	2014

### NOTE 30 - BUSINESS ACQUISITIONS

#### *Acquisitions in 2011*

On August 19, 2011, as part of the Group's expansion program, the Parent Company entered into a Memorandum of Agreement with FAB People, Inc. (FAB), a domestic corporation engaged in business and management activities, and owner of 2,000 shares or 100% of the issued and outstanding shares of The Big Chill, Inc. (TBC), a domestic corporation engaged in selling fresh and preservative-free fruit juices and shakes, for the purpose of acquiring 51% or 1,020 shares of TBC for Twenty Million Pesos (P20,000,000). In addition, the Parent Company shall advance to TBC the amount of Two Hundred Forty Four Million Pesos (P244,000,000) that will be used for the business expansion. Within 30 days from the completion of the due diligence, the Parent Company has the option to convert the entire advances into shares of stock wherein after the conversion, the Parent Company shall own 80% of the issued and outstanding shares and FAB shall own the remaining 20%. Thus, after the conversion, the capital structure of TBC shall be:

	Amount	Percentage
FAB	P48,840,000	20
Parent Company	195,360,000	80
	<u>P244,200,000</u>	<u>100</u>

In the event that the Parent Company decides not to convert the advances into equity in TBC, such advances shall be paid by TBC within 12 months from June 30, 2012 with 4% interest per annum. At the date of acquisition, the Parent Company commissioned CBREllis to make a business and branch valuation of TBC. Based on the branch valuation made by CBREllis, the trademark "The Big Chill" is valued at Two Hundred Million Pesos (P200,000,000). During 2011, the Parent Company has advanced the P244,000,000 and is shown in the TBC's separate statements of financial position as deposits for future stock subscriptions.

The following table summarizes that consideration paid for 51% of TBC, the fair values of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

**Consideration at August 19, 2011:**

Initial cash consideration paid to FAB for the 51% interest in TBC	P20,000,000
Share of FAB in the advances provided by the Parent Company to TBC	48,742,000
Total consideration transferred	<u>P68,742,000</u>

**Recognized amounts of identifiable assets acquired and liabilities assumed:**

Cash	P4,670,559
Receivables	2,224,028
Inventories	4,595,690
Other current assets	6,260,509
Property and equipment	20,790,579
Trademark	200,000,000
Payables	(24,284,529)
Advances from related parties	(16,214,443)
Income tax payable	<u>(119,801)</u>
Net identifiable assets at acquisition date	197,922,592
Non-controlling interest (Note 21)	(96,982,070)
Negative goodwill/gain on bargain purchase (Note 25)	<u>(32,198,522)</u>
Total consideration transferred	<u>P68,742,000</u>

The purchase of TBC has resulted in a negative goodwill which is shown in the consolidated statement of income as gain on bargain purchase (Note 25), which was attributable entirely to the Parent Company.

There were no contingent consideration arrangement and indemnification assets relating to the acquisition.

The fair value and the gross contractual amount of the receivable amounted to P2,224,028, which is expected to be collectible.

Non-controlling interests was measured at the acquisition date based on the present ownership instruments' proportionate share in the recognized amounts of TBC's identifiable net assets.

*Acquisitions in 2010*

On September 30, 2010, the Parent Company acquired 100% interest in HAPC for P12,106,955. HAPC is a domestic corporation engaged in the import and export of goods, such as agricultural products on a wholesale basis, and licensed to export fresh mangoes to Japan and Korea.

On October 11, 2010, the Parent Company obtained 51% ownership in WTC and SSIC for US\$160,000 and US\$40,000 or P6,943,520 and P1,735,880, respectively. A Memorandum of agreement entered into by both WTC and SSIC stipulates that the Parent Company will infuse fresh capital funds amounting to US\$1,340,000 and US\$960,000, respectively.

The summary of the consideration paid, fair values of assets acquired, liabilities assumed and the non-controlling interest at the acquisition dates of these business acquisition follows:

Acquired subsidiaries Percentage acquired Date acquired	HAPC 100% Sept. 30, 2010	WTC 51% Oct. 11, 2010	SSIC 51% Oct. 11, 2010	Total
<b>Consideration at acquisition date:</b>				
Cash consideration transferred	<u>P12,106,956</u>	<u>P6,943,520</u>	<u>P1,735,880</u>	<u>P20,786,356</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>				
Cash	P7,914,564	P1,059,727	P598,487	P9,572,778
Trade and other receivables	-	76,384,088	7,543,600	83,927,688
Inventories	-	88,286,269	-	88,286,269
Property and equipment, net	-	697,498	-	697,498
Trade and other payables	<u>-</u>	<u>(163,290,653)</u>	<u>(6,588,250)</u>	<u>(169,878,903)</u>
Net identifiable assets at acquisition date	7,914,564	3,136,929	1,553,837	12,605,330
Non-controlling interest (Note 21)	-	(1,537,095)	(761,380)	(2,298,475)
Goodwill (Note 14)	<u>4,192,392</u>	<u>5,343,686</u>	<u>943,423</u>	<u>10,479,501</u>
Total consideration transferred	<u>P12,106,956</u>	<u>P6,943,520</u>	<u>P1,735,880</u>	<u>P20,786,356</u>

The goodwill arising from the acquisition of HAPC, WTC and SSIC comprises the values of expected synergies from combining operations of the acquired companies and the Parent Company. None of the goodwill recognized is expected to be deductible for income tax purposes.

There were no contingent considerations arrangement and indemnification assets relating to the acquisition in 2010.

The fair value and the gross contractual amount of the receivable amounted to P83,927,688, which is expected to be collectible.

Non-controlling interests in HAPC, WTC and SSIC were measured at the acquisition date based on the present ownership instruments' proportionate share in the recognized amounts of the acquirees' identifiable net assets.

### NOTE 31 - CONTINGENCIES

The Parent Company and a subsidiary are currently involved in certain lawsuits involving the Bureau of Internal Revenue (BIR) for the alleged deficiency in payment of certain taxes and former employee for a qualified theft with the unlawful taking of Company-owned properties.

Management believes that the outcome of the above contingencies will not materially affect the financial position and results of operation of the Group.



## NOTE 32 - SUBSEQUENT EVENT

On December 29, 2011, the Parent Company executed an investment agreement with Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. (Black River). Black River is a wholly-owned subsidiary of Black River Capital Partner Fund (Food), LP. The investment deal calls for Black River to purchase 25,486,095 common shares for a 28.11% interest in the Parent Company. The deal was valued at US\$30.45 Million.

On January 20, 2012, the total amount of US\$30,450,000 was deposited into the account of the Parent Company representing the proceeds from the common shares subscribed by Black River and Earthright.

In order to accommodate the shares that will be given to Black River and Earthright, on February 2012, the Parent Company has applied for an increase in its authorized capital stock from P300,000,000 divided into 300,000,000 common shares with par value of P1 per share to P1,000,000,000 divided into 1,000,000,000 common shares with par value of P1. The application is still pending with the SEC.

**ALBA ROMEO & CO.**

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7/F Multinational Bancorporation Centre,  
6805 Ayala Avenue, Makati City 1226 Philippines  
Branches: Bacolod / Cagayan de Oro / Cebu

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
AgriNurture, Inc. and Subsidiaries  
No. 54 National Road, Dampol II-A  
Pulilan, Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of AgriNurture Inc. and Subsidiaries as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in this Form 17-A and have issued our report thereon dated March 26, 2012. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules under Item No. 7 in this Form 17-A are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic consolidated financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**ALBA ROMEO & CO.**

Michael D. Roxas  
Partner

CPA Certificate No. 0108714

Tax Identification No. 300-647-353

PTR No. 0040428, issued on January 13, 2012, Makati City

BOA /PRC Registration No. 0005, issued on March 23, 2010, effective until December 31, 2012

SEC Accreditation No. A-515-A (Individual), Group A, issued on February 2, 2012  
effective until June 2, 2012

SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012  
effective until March 21

BIR Accreditation No. 08-005267-1-2011

April 11, 2012  
Makati City

AGRINURTURE, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES  
FORM 17-A, Item 7  
DECEMBER 31, 2011

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**Consolidated Financial Statements**

Statement of Management's Responsibility for Financial Statements  
for the years ended December 31, 2011 and 2010  
Independent Auditors' Report dated April 11, 2012  
Consolidated Statements of Financial Position as at December 31,  
2011 and 2010  
Consolidated Statements of Comprehensive Income for each of the  
three years in the period ended December 31, 2011  
Consolidated Statements of Changes in Equity for each of the three  
years in the period ended December 31, 2011  
Consolidated Statements of Cash Flows for each of the three years in  
the period ended December 31, 2011  
Notes to the Consolidated Financial Statements for years ended  
December 31, 2011 and 2010

**Supplementary Schedules**

Independent Auditors' Report on Supplementary Schedules dated April  
11, 2012

A. Financial Assets	Applicable
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Not applicable
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Applicable
D. Intangible Assets - Other Assets	Applicable
E. Long-Term Debt	Applicable
F. Indebtedness to Related Parties	Applicable
G. Guarantees of Securities of Other Issuers	Not Applicable
H. Capital Stock	Applicable
I. Map of the Group Of Companies	Applicable
J. Reconciliation of Retained Earnings Available for Dividend Declaration	Applicable
K. Effective Standards and Interpretations under PFRS as of year-end	Applicable

**AGRINURTURE, INC. AND SUBSIDIARIES**

**Schedule A. FINANCIAL ASSETS  
As of DECEMBER 31, 2011**

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Value based on market quotation at end of reporting period (iii)	Income received and accrued
<b>Loans and receivables</b>				
Cash and cash equivalents				
Cash on hand				
Petty cash fund, at face value (ii)		P253,800		
Revolving fund, at face value (ii)		17,189,927		
Cash on hand, at face value (ii)		7,503,043		
Sub-total		<u>24,946,770</u>		
Cash in banks				
Hongkong and Shanghai Banking Corporation		P26,715,761		P12,671
Metropolitan Bank and Trust Company		7,529,069		6,931
Land Bank of the Philippines		10,876,453		16,064
Agriculture Bank of China		8,536,373		
Bank of the Philippine Island		7,424,918		16,669
Banco de Oro Unibank, Inc.		5,617,340		539,973
Bank of Commerce		3,350,335		1,332
United Coconut Planters Bank		2,835,171		2,055
Mega International Commercial Bank		6,788,588		14,831
China Banking Corporation		1,917,603		18,769
Robinsons bank		1,338,447		647
Malayan bank		288,841		1,229
GM Bank of Luzon		200,927		8,706
Eastwest Bank		53,339		534
Philippine Business Bank		34,412		957
Rizal Commercial Banking Corporation		25,360		719
Sub-total		<u>83,532,937</u>		<u>P642,087</u>
Total Cash and cash equivalents		108,479,707		
Trade and other receivables, at cost (ii)		662,685,213		
Advances to related parties, at amortized cost (ii)		17,530,521		
<b>Total loans and receivables</b>		<u><b>P788,695,441</b></u>		
<b>Total financial assets at fair value through profit or loss</b>		<u><b>P813,642,211</b></u>		



AGRINURTURE, INC. AND SUBSIDIARIES

Schedule B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
As of DECEMBER 31, 2011

Name and Designation of debtor (i)	Balance at beginning of period	Deductions			Current	Not Current	Balance at end of period	Due date	Interest rate per annum	Terms of repayment	Collateral
		Amounts collected (ii)	Amounts written off (iii)								
Officers, employees, stockholders	P-	P-	P-	P-	P-	P-	P-	None	None	None	None
Total	P-	P-	P-	P-	P-	P-	P-				

Not applicable

# AGRINURTURE, INC. AND SUBSIDIARIES

## Schedule C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS As of DECEMBER 31, 2011

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at end of period
			Amounts collected (i)	Amounts written off (ii)			
<b>Agrinurture Inc., a 100%-owned subsidiary</b>							
Trade and other receivables	P-	P-	P-	P-	P-	P-	P-
Advances to related parties	536,823,607	108,532,237	641,477,261	-	3,878,583	-	3,878,583
<b>First Class Agriculture, a 100%-owned subsidiary</b>							
Trade and other receivables	-	-	-	-	-	-	-
Advances to related parties	168,231,388	75,704,125	242,451,692	-	1,483,821	-	1,483,821
<b>Fresh and Green Harvest Agricultural Company Inc., a 100%-owned subsidiary</b>							
Trade and other receivables	-	-	-	-	-	-	-
Advances to related parties	26,166,052	11,774,723	37,840,775	-	100,000	-	100,000
<b>Lucky Fruit &amp; Vegetable Products Inc., a 100%-owned subsidiary</b>							
Trade and other receivables	-	7,449,582	1,241,597	-	6,207,985	-	6,207,985
Advances to related parties	45,017,057	20,257,676	65,274,733	-	-	-	-
<b>M2000 IMEX Company Inc., a 100%-owned subsidiary</b>							
Trade and other receivables	-	-	-	-	-	-	-
Advances to related parties	-	422,648	-	-	-	-	422,648

Best Choice  
Harvest  
Agricultural  
Corporation, a  
100%-owned  
subsidiary

Trade and other receivables	-	12,250	-	-	12,250	-	12,250
Advances to related parties	-	-	-	-	-	-	-

Farmville Farming  
Co., Inc., a 51%-  
owned subsidiary

Trade and other receivables	-	1,010,982	-	-	1,010,982	-	1,010,982
Advances to related parties	-	-	-	-	-	-	-

Total	P776,238,104	P225,164,223	P988,286,058	-	P12,693,621	-	P13,116,269
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# AGRINURTURE, INC. AND SUBSIDIARIES

## Schedule D. INTANGIBLE ASSETS - OTHER ASSETS As of DECEMBER 31, 2011

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes, additions, deductions (iii)	Ending balance
<b>Intangibles shown under the caption Intangible Assets</b>						
Goodwill (Note a)	P29,989,414	P-	P-	P-	P-	P29,989,414
Trademarks and licenses (Note b)	779,000,000	200,000,000	-	-	-	979,000,000
Computer Software	531,853	322,644	(211,124)	-	-	643,373
Franchise (Note d)	-	9,049,750	-	-	-	9,049,750
<b>Total</b>	<b>P809,521,267</b>	<b>P209,372,394</b>	<b>(P211,124)</b>	<b>P-</b>	<b>P-</b>	<b>P1,018,682,537</b>
<b>Deferrals shown under the caption Other Assets</b>						
Prepayments	P9,337,893	P4,841,364	P-	P-	P-	P14,179,257
Input VAT	9,025,232	5,471,755	-	-	-	14,496,987
Prepaid rent	1,305,966	-	-	-	-	1,305,966
Deferred MCIT	-	700,624	-	-	-	700,624
Creditable withholding tax	1,203,529	-	(1,189,770)	-	-	13,759
Other current asset	1,460,543	-	(574,740)	-	-	885,803
<b>Total</b>	<b>P22,333,163</b>	<b>P11,013,743</b>	<b>(P1,764,510)</b>	<b>P-</b>	<b>P-</b>	<b>P31,582,396</b>

### a. Goodwill

Goodwill represents the excess of the consideration given over the fair value of the net identifiable assets acquired. The goodwill recorded came from the acquisition of M2000 Imex Company, Inc., Lucky Fruit and Vegetable Products, Inc., First Class Agriculture Corporation, Fresh and Green Harvest Agricultural Company, Inc., Hansung Agro Products Corporation, Xiamen Waintaixing Trading Corp, and Sunshine Supplies International Co., Ltd.

### b. Trademarks

As part of the acquisition of FCAC on 2007, the Group registered the trademark Fresh Choice Always (FCA) with the Intellectual Property Office of the Philippines - Bureau of Trademarks on September 17, 2008, in an attempt to create brand recognition for the Group which was subsequently approved on March 9, 2009 by the said office. Initial capitalized cost amounted to P227,709 upon approval of the said trademark in 2009.

In January 2011, the Group has engaged CB Richard Ellis Phils., Inc. (CBREPI) to carry out a brand valuation of FCA as of December 31, 2010 in compliance with the Securities and Exchange Commission (SEC) requirements. Based on CBREPI's report dated March 11, 2011, the value of the said trademark amounted to P779,000,000 as of December 31, 2010. This has resulted to the increase in the value of the trademark amounting to P778,815,461 and a corresponding increase in revaluation surplus and deferred tax liability amounting to P545,170,823 and P233,644,638, respectively, as of December 31, 2010 (Notes 20 and 29). The method and assumptions used in the said valuation are set out in Note 3 in the notes of financial statements.

As of December 31, 2011, the carrying amount of the revalues FCA trademark amounted to P779,000,000. Had it been measured after recognition using the cost model, the carrying amount that would have been recognized by the Group as of December 31, 2011 is P161,768.

On August 19, 2011, the Parent Company acquired 51% of the outstanding capital stock of TBC directly from its former owners, FAB. Total consideration on the purchase is P20,000,000. At the date of acquisition, the Parent Company had the Big Chill brand valued by CBRE. Based on the valuation conducted by independent valuers, the value of "The Big Chill" brand is P200,000,000. As of December 31, 2011, the carrying amount of "The Big Chill" trademark is P200,000,000 which is the same as the carrying amount that would have been recognized had it been measured after recognition using the cost model.



c. Franchise

On January 17, 2011, the Company entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten (10) years but maybe extended for another 10 years. Under the agreement, the Parent Company paid US\$200,000 (equivalent to P9,049,750) as a sign-up fee. This amount is presented under intangible assets as "Franchise". For each store to be opened by the Group, a store-opening fee shall be paid to Tully's in the amount of US\$2,500 - US\$15,000. Furthermore, the Group shall pay containing fees equivalent to 5% of net revenues of each coffee house.

AGRINURTURE, INC. AND SUBSIDIARIES

Schedule E. LONG-TERM DEBT  
As of DECEMBER 31, 2011

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest rates	Amount of periodic installments	Number of periodic installments	Maturity dates
Bank overdrafts	P-	P-	P-				
Bank loans							
Secured							
Landbank of the Philippines	412,853,466	172,853,466	240,000,000	6.75%	12,000,000	20 Quarterly installments	7/12/2016
Orix Metro Leasing Finance Corporation	16,663,810	4,163,810	12,500,000	5.29%	347,222	30 Monthly installments	10/19/2015
Unsecured							
Banco De Oro	195,000,000	195,000,000		5.75% - 6.50%	195,000,000	1 lump-sum payment	01/06/2012 to 3/12/2012
Mega International Commercial Bank	139,612,000	139,612,000		7.5%	139,612,000	1 lump-sum payment	01/03/2012 to 04/25/12
Bank of the Philippine Islands	98,625,000	98,625,000		5.5%	98,625,000	1 lump-sum payment	03/02/12 to 05/23/2012
China Trust and Banking Corporation	108,117,400	108,117,400		4.75%-6.75%	108,117,400	1 lump-sum payment	01/15/2012 to 03/29/2012
United Coconut Planters Bank	49,906,771	49,906,771		7% to 9%	49,906,771	1 lump-sum payment	02/08/2012 to 03/13/2012
Malayan Bank	20,000,000	20,000,000		9%	20,000,000	1 lump-sum payment	3/29/2012
Collateralized borrowings	-	-	-	-	-	-	-
Convertible debt	-	-	-	-	-	-	-
Obligations under finance leases	-	-	-	-	-	-	-
<b>Total</b>	<b>P1,040,778,447</b>	<b>P788,278,447</b>	<b>P252,500,000</b>				

AGRINURTURE, INC. AND SUBSIDIARIES

Schedule F. INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
As of DECEMBER 31, 2011

Name of related party (i)	Balance at beginning of period	Balance at end of period
1. Unconsolidated subsidiaries		
2. Other related parties		
First Class Agriculture Corporation	P58,000,000	P58,000,000
3. Other companies accounted for by the equity method		
Total	<u>P58,000,000</u>	<u>P58,000,000</u>

- a. First Class Agriculture Corporation has secured a note receivable from its major stockholder amounting to P58,000,000. The note was executed in 2008 and is secured by a land located Pulilan, Bulacan. The Company is under the process of transferring the Certificate of Land Title to its ownership.

AGRINURTURE, INC. AND SUBSIDIARIES

Schedule G. GUARANTEES OF SECURITIES OF OTHER ISSUERS  
As of DECEMBER 31, 2011

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Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which financial statement is filed	Nature of guarantee (ii)
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Not applicable

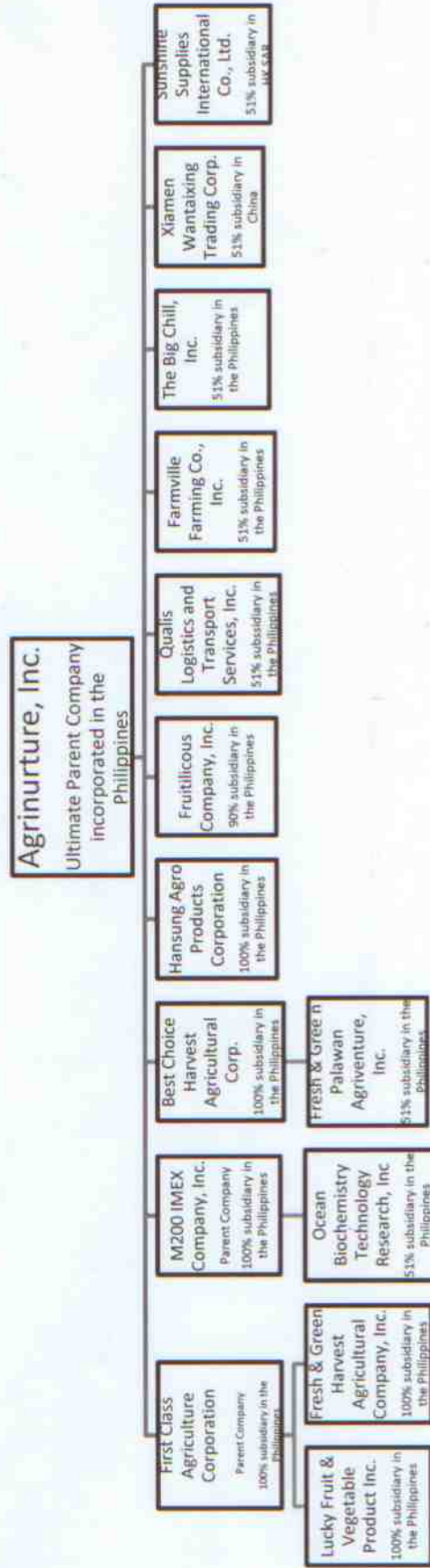
AGRINURTURE, INC. AND SUBSIDIARIES

Schedule H. CAPITAL STOCK  
As of DECEMBER 31, 2011

Title of issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties (ii)	Directors, officers and employees	Others (iii)
Common shares of P1 par value (Note a)	300,000,000	261,060,867	None	None	118,599,048	142,461,819
<b>Total</b>	<b>300,000,000</b>	<b>261,060,867</b>	<b>None</b>	<b>None</b>	<b>118,599,048</b>	<b>142,461,819</b>

# AGRINURTURE, INC. AND SUBSIDIARIES

## Schedule I. MAP OF THE GROUP OF COMPANIES As of DECEMBER 31, 2011





AGRINURTURE, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2011 AND 2010

		2011	2010
<b>i. Current/liquidity ratios</b>			
Current ratio		<u>1.92</u>	<u>1.82</u>
Current ratio	$= \frac{\text{Current assets}}{\text{Current liabilities}}$	<u><math>\frac{1,744,170,488}{909,396,751}</math></u>	<u><math>\frac{1,067,506,851}{586,661,993}</math></u>
Quick ratio		<u>0.96</u>	<u>0.84</u>
Quick ratio	$= \frac{\text{Current assets} - \text{Inventories} - \text{Biological assets} - \text{Advances to projects}}{\text{Current liabilities}}$	<u><math>\frac{873,409,386}{909,396,751}</math></u>	<u><math>\frac{494,630,039}{586,661,993}</math></u>
<b>ii. Solvency ratios/debt-to-equity ratios</b>			
Solvency ratio		<u>0.18</u>	<u>0.13</u>
Solvency ratio	$= \frac{\text{After tax net profit} + \text{Depreciation (Non-cash expenses)}}{\text{Total liabilities}}$	<u><math>\frac{264,931,102}{1,445,346,234}</math></u>	<u><math>\frac{110,916,801}{839,071,384}</math></u>
Debt-to-equity ratio		<u>0.62</u>	<u>0.53</u>
Debt-to-equity ratio	$= \frac{\text{Total liabilities}}{\text{Total equity}}$	<u><math>\frac{1,445,346,234}{2,315,690,680}</math></u>	<u><math>\frac{839,071,384}{1,585,192,634}</math></u>
<b>iii. Asset-to-equity ratio</b>			
Asset-to-equity ratio		<u>1.62</u>	<u>1.53</u>
Asset-to-equity ratio	$= \frac{\text{Total assets}}{\text{Total equity}}$	<u><math>\frac{3,761,036,914}{2,315,690,680}</math></u>	<u><math>\frac{2,424,264,018}{1,585,192,634}</math></u>
<b>iv. Interest rate coverage ratio</b>			
Interest rate coverage ratio		<u>6.42</u>	<u>9.07</u>
Interest rate coverage ratio	$= \frac{\text{Earnings Before Interest and Tax (EBIT)}}{\text{Interest expense}}$	<u><math>\frac{320,613,502}{49,950,841}</math></u>	<u><math>\frac{151,380,584}{16,687,620}</math></u>

		2011	2010
v. Profitability ratios			
Return On Equity (ROE)		9.33%	5.90%
Return On Equity	= $\frac{\text{Net profit}}{\text{Total equity}}$	$\frac{216,101,374}{2,315,690,680}$	$\frac{93,551,465}{1,585,192,634}$
Gross margin		23.03%	17.08%
Gross margin	= $\frac{\text{Gross profit}}{\text{Revenues}}$	$\frac{519,031,385}{2,253,760,239}$	$\frac{270,707,544}{1,585,011,759}$
Net margin		9.59%	5.90%
Net margin	= $\frac{\text{Net profit}}{\text{Revenues}}$	$\frac{216,101,374}{2,253,760,239}$	$\frac{93,551,465}{1,585,011,759}$